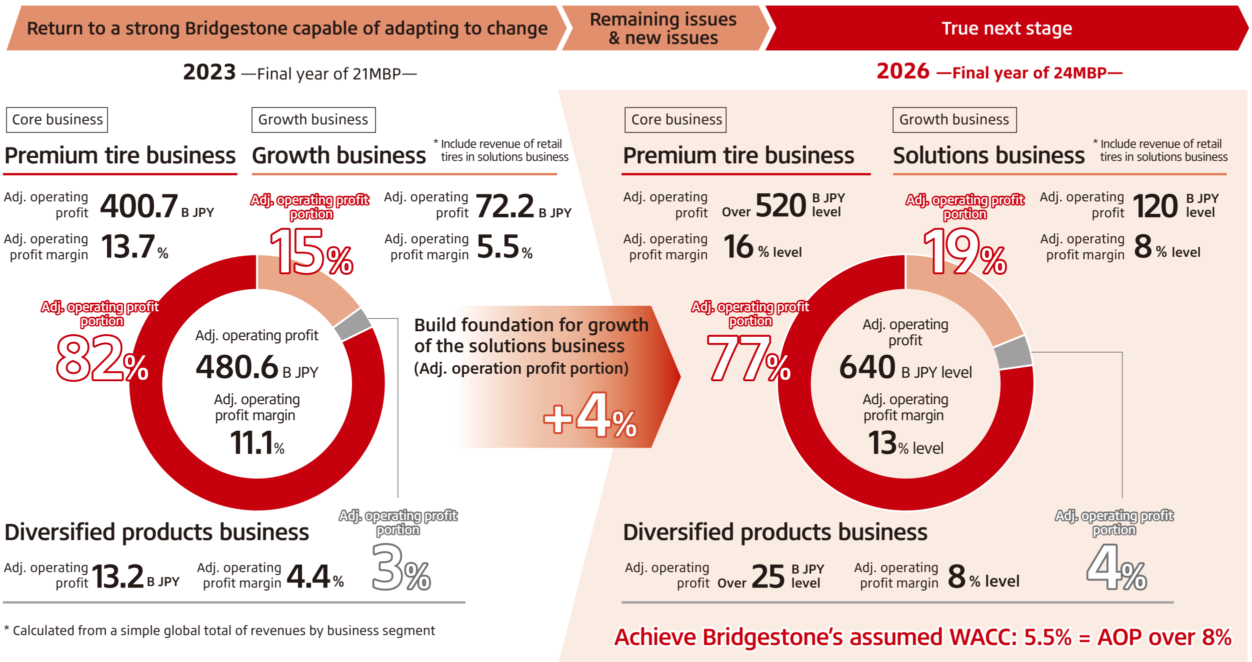
Financial Strategy

Financial Targets by Area & Business Portfolio

By focusing more on value creation in line with business shaping scenario based on new & true glocal portfolio management, Bridgestone plans to achieve global revenue at the level of 4,800 B JPY (approximately 110% versus 2023), adjusted operating profit at the level of 640 B JPY (approximately 130% versus 2023), and adjusted operating profit margin at the level of 13% (an increase of approximately 2% versus 2023) by 2026, the final year of the 24MBP.

In terms of adjusted operating profit margin by business portfolio, we plan at the level of 16%, another higher level, by reinforcing earning power and creating "new premium" in our premium tire business as core business. As growth business, the solutions business will improve its portion in our adjusted operating profit by 4% in 2026 and build a foundation for growth in the 27MBP. For both solutions business and diversified products business, we plan an adjusted operating profit margin to be at the level of 8%, which achieves our assumed WACC of 5.5%.

Overview of Business Portfolio - Adjusted Operating Profit (Amount, Margin and Composition)



* Calculated from a simple global total of revenues by business segment

Premium Tire Business Financial Targets by Area Core Business

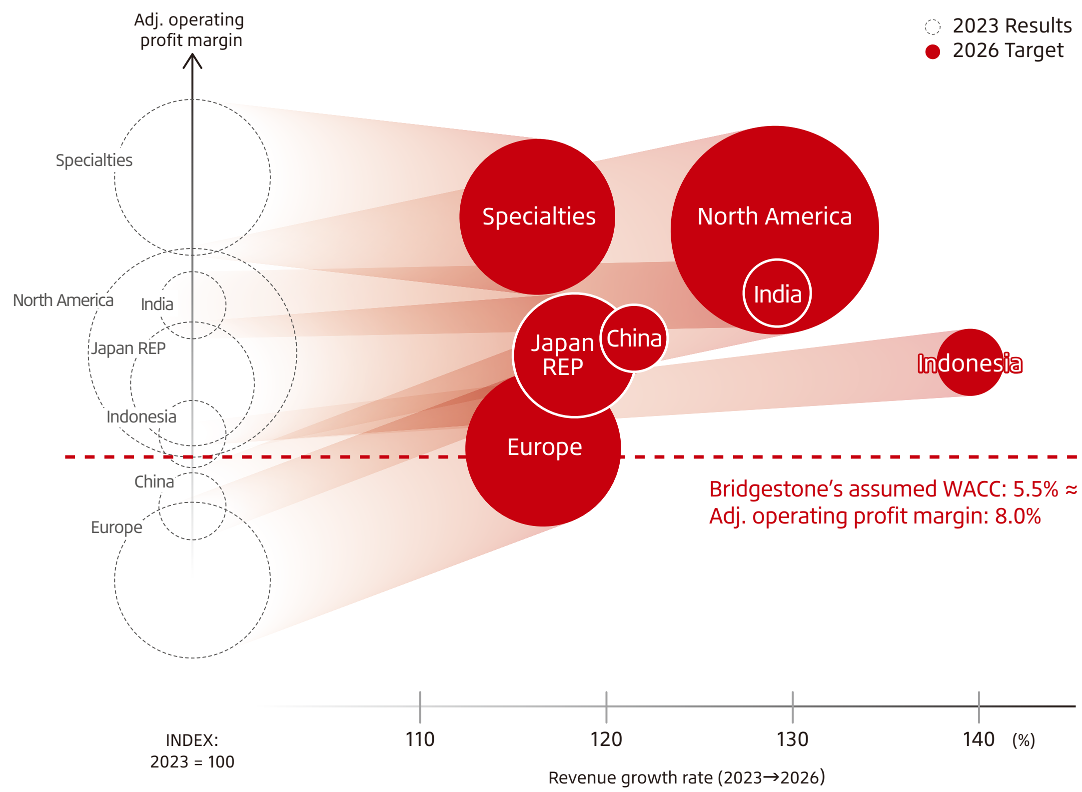
In North America and Japan REP (replacement) business, that are mature areas, we steadily promote to reinforce earning power. Particularly in North America, we are driving the improvement of business quality through expanding sales and increasing market share in the premium segment by strengthening family channel, reinforcing collaboration with strategic partners and developing new channel. In Japan REP, we are also reinforcing our focus on premium through channel rebuilding, including the shift to retail sites from wholesale structure.

Specialties, including tires for mining and aviation, will support earning power with high profit margins at the level of 20%.

The European and China business are to be rebuilt based on our assumed WACC of 5.5% = ROIC of 5.5% ≈ adjusted operating profit margin of 8%. For the European business, we will improve the adjusted operating profit margin to the level of 8%, while for China business, we withdraw the TB business and focus on PS premium as growth segment, aiming to improve the adjusted operating profit margin.

Growth area, the second home markets representing as India and Indonesia, will capture high demand growth and expand its scale while improving profitability.

● New & True Glocal Portfolio Management Scenario   Premium Tire Business Core business - Targets -



*Revenue and Adj. operating profit for Specialties, Japan REP, and Europe include solutions.

2nd Stage of Rebuilding

To achieve more than 10% ROIC on a global basis, we have begun the second stage of rebuilding in our Europe business, China business, and Thailand business.

As for Europe, where historically challenges have been deep-rooted, we will change the shape of the Europe business, setting the entire Europe business as a "business unit under focused management". We executed rebuilding such as the closure of Bethune plant in 2021, and will execute rebuilding of retail, TB and retread in the 24MBP. We are also strengthening our structure to further focus on premium across the entire value chain, from production, to sales and solutions. Regarding production, we will strive to improve fixed costs more efficiently in 3 TB tire plants, by adjusting its production capability to sales conditions. We will further reduce deficit & unprofitable sizes and will launch Dan-Totsu products. By doing so, sales will be further focused on premium for both PS and TB. The sales structure for wholesales will be simplified and streamlined through organizational integration, etc. to reduce fixed costs. Retail business will become profitable at the latest in 2026, through fundamentally reviewing the retail business with support from the U.S. team, where it has a strong business foundation. We have already begun business rebuilding through operational improvement, and will work on business rebuilding using PDCA cycle.

Also, TB business aims to become profitable in 2025 through business rebuilding. As for the OE business, we are strengthening our focus on premium vehicle model/ OEMs and prestige OEMs. In solutions business, we discontinued consumer solutions last year and concentrate on commercial BtoB solutions including Fleetcare program with limited areas and customers. Retread is also planned to become profitable in 2026 due to the improvement of profitability by rebuilding business that includes to streamline the production structure with limited areas and customers. In addition, we will improve the organizational structure to execute these measures.

China business withdrew from TB business and focus on PS premium tire business. Along with two production plants for PS tires, we strengthen the structure to complete "Produce and Sell" domestically in China, responding to geopolitical risks.

As for Thailand, we ended production at our Rangsit plant in 2023 and consolidated our production sites. We promote business rebuilding to focus on premium segment in order to return to Dan-Totsu No. 1 position.

Solutions Business Growth Business Financial Targets by Area

In solutions business, we are working to strengthen retail & service and retread, as well as mining and aviation solutions and mobility solutions (mainly in North America), which will become the mobility tech business, as a strategic business.

In North America, where our retail and retread business already have a strong foundation, we continue to reinforce our earning power and will achieve growth. Retail & Service, an enabler that supports premium tire business, will improve its adjusted operating profit margin by improving business quality in stand alone business unit, and will contribute to the entire business in North America by expanding its functions as an enabler. In retread business which has already secured a high profit margin, we are continuing to reinforce earning power.

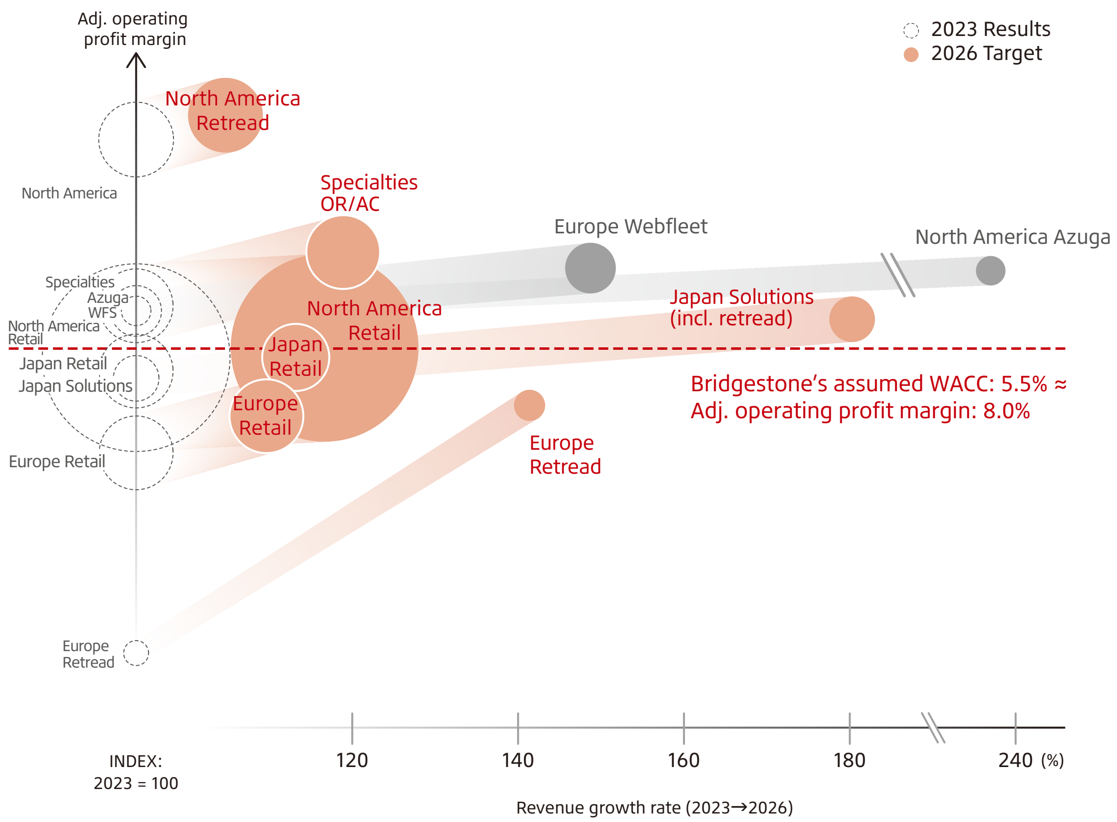
In Japan also, we are steadily improving the profitability of our solutions business, mainly in retail & service and retread, where invested in production reinforcement in the 21MBP.

While in Europe, we are rebuilding retail & service and retread, that are currently deficit, to become profitable.

In mining and aviation (specialties) solutions, we plan a steady growth in both scale and profitability by combining strong real capabilities such as Dan-Totsu product and on-site technical services with digital power.

Moreover, we are continuously strengthening mobility solutions of Webfleet and Azuga, and establishing mobility tech business through expanding its scale, mainly in North America.

● **New & True Glocal Portfolio Management Scenario Solutions Business Growth business — Target —**



Capital Expenditure, Strategic Resource, R&D Expense

● Capital Expenditure

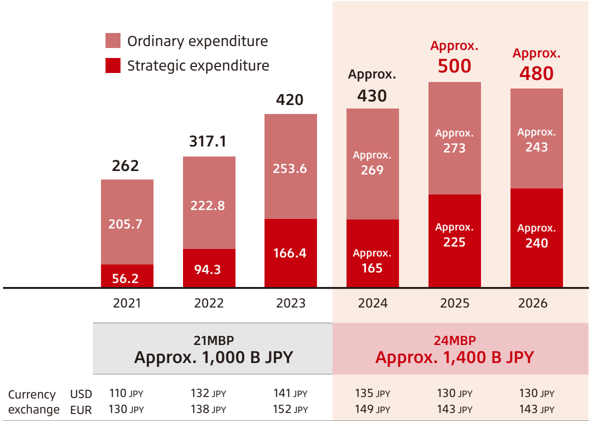
Capital expenditure total (strategic + ordinary)

Approx. 1,400 B JPY

(Approx. 1.4 times than in the 21MBP)

We are continuously strengthening our premium tire business as core business, mainly for strategic capital expenditure by clarifying firmly the content, effect and return on the investment.

● Capital Expenditures: Strategic + Ordinary total (B JPY)



Ordinary expenditure: Slight increase vs. 21MBP due to lease renewals for retail stores and warehouses as well as for distribution sites, in addition to the usual investments in maintenance and renewal of equipment at plants

● Strategic Resource

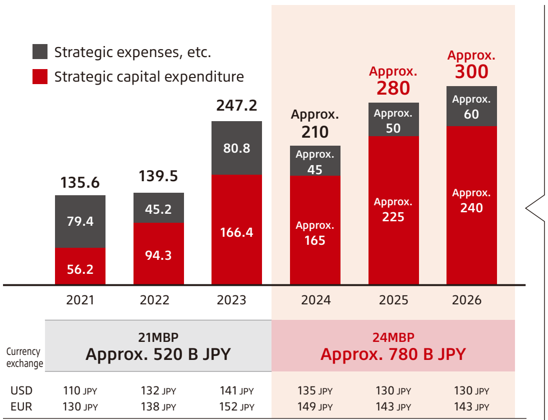
Total strategic resources

Approx. 780 B JPY

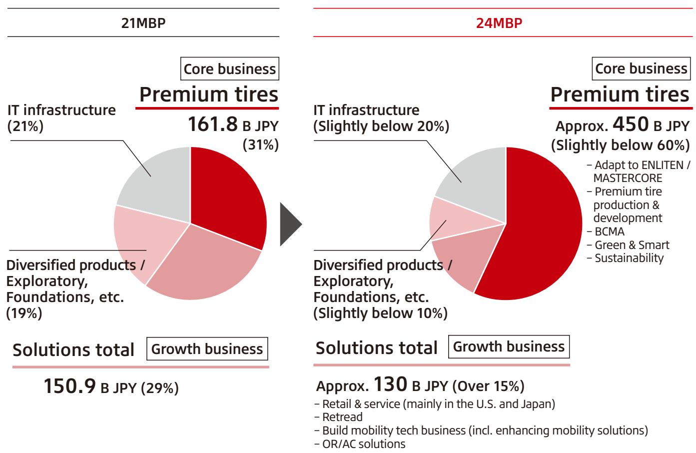
- Inject approx. 1.5 times than in the 21MBP: Continue reinforcing investment especially in the premium tire business
- Carefully selected resource to less than 70% that of the 2030 Long Term Strategic Aspiration (Approx. 1,200 B JPY)

■ Strategic Resource by Business Portfolio:
Strategic resource that includes strategic capital expenditure and strategic expense, will expand resource allocation to premium tire business that has a particularly high return certainty, from approximately 30% to less than 60% of the 21MBP. In addition, for the solutions business, we will continuously strengthen resource related to establishing retail & service, retread, mining and aviation, and mobility tech business. These are the business that was clarified as "what to do" in the 21MBP. When timing of actual resource injection comes, we will evaluate their returns and benefits reasonably and decide for the executions.

● Strategic Resources Amount (B JPY)



● Strategic Resources Allocation



■ Strategic Resource by Area:

While continuously injecting approximately 40% of our resource to the Americas which supports our revenue and profit, Bridgestone will reinforce the investment in mining and aviation tires that have high profitability mainly in Japan where Bridgestone MASTERCORE as Dan-Totsu product is developed and produced. This will expand its composition ratio approximately four times from 2% in the 21MBP to less than 10% in the 24MBP. On the other hand, the investment in Europe where business rebuilding is executed will limit its composition ratio to half of the 21MBP.

■ Strategic Resource by Start timing of the Return of Investment:

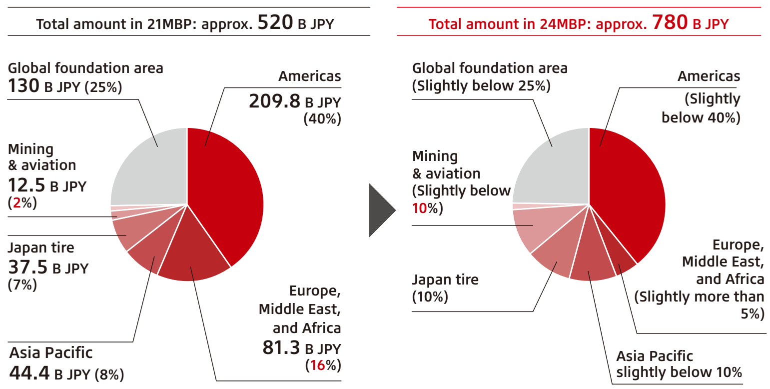
We will allocate approximately 70% of resources to the projects where the start timing of the return of investment is short-term and mid-term, and will lay foundation for future growth, ensuring balance. In addition, we will judge the certainty of the return.

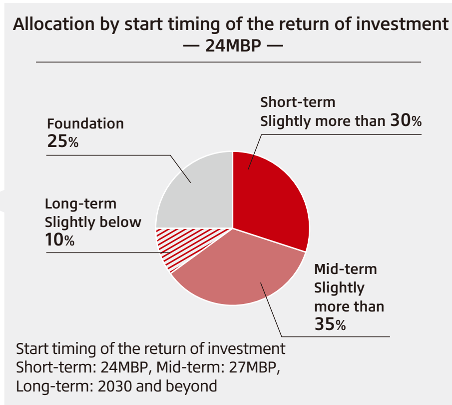
Short-term: Premium tires, retail, retread

Mid to long-term: Mainly mobility tech business and exploratory business

* Strategic Resource by Start Timing of the Return of Investment:
Short-term: 24MBP, Mid-term: 27MBP, Long-term: 2030 and beyond

● Allocation by Area





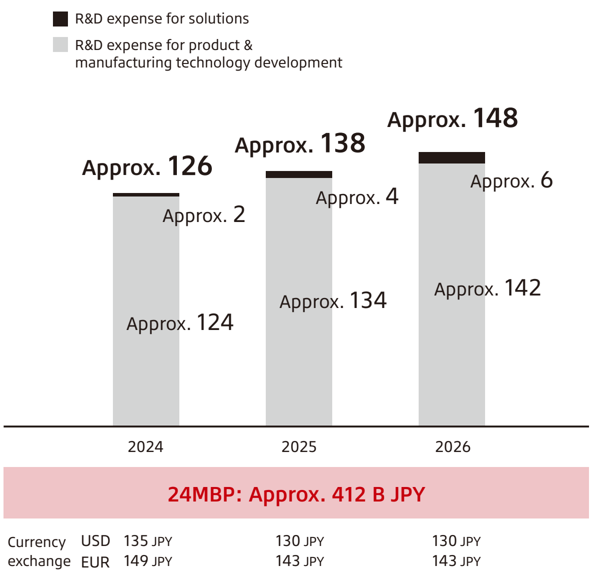
● R&D Expense

R&D expense: **412 B JPY**

- R&D expense for product and manufacturing technology development: Approximately 400 B JPY (Continuously strengthening our investment at the level of 3% versus revenue)
- Solutions (for building retail and mobility tech business in the U.S.): Approximately 12 B JPY

We will continue to strengthen R&D for premium tire business with a focus on developing technologies for our “new premium” ENLITEN/Bridgestone MASTERCORE products, sustainable global motorsports tires, and production technology such as the shift to Green & Smart. In addition, for the solutions business, we are strengthening R&D initiatives globally, such as planning to develop new retail format in the U.S. leveraging both real capability and digital power as well as to develop R&D toward building mobility tech business.

● Total R&D Expense (B JPY)



Management Focusing on Capital Cost & ROIC

Utilization and Our Definition of ROIC

Alongside ROE as the traditional management metric, Bridgestone set ROIC that evaluates return on investment and capital efficiency as the most important management KPI in the 21MBP, and thus we are promoting management focusing on capital cost. ROIC is a financial metric that measures how much profit a company generates in relation to invested capital in its business activities. The basic formula used by Bridgestone to calculate ROIC is as follows.

$$\text{ROIC} = \frac{\text{Adj. operating profit (after tax)}}{\text{Working capital + Non-current assets (Invested capital)}}$$

Adjusted operating profit (after tax): Fixed tax rate of 30%

Working capital: Notes and accounts receivable and other assets + Inventories − Notes and accounts payable and other liabilities (FY-end balance)

Noncurrent assets: Non-current assets excluding deferred tax assets (FY-end balance)

ROIC Improvement Activities

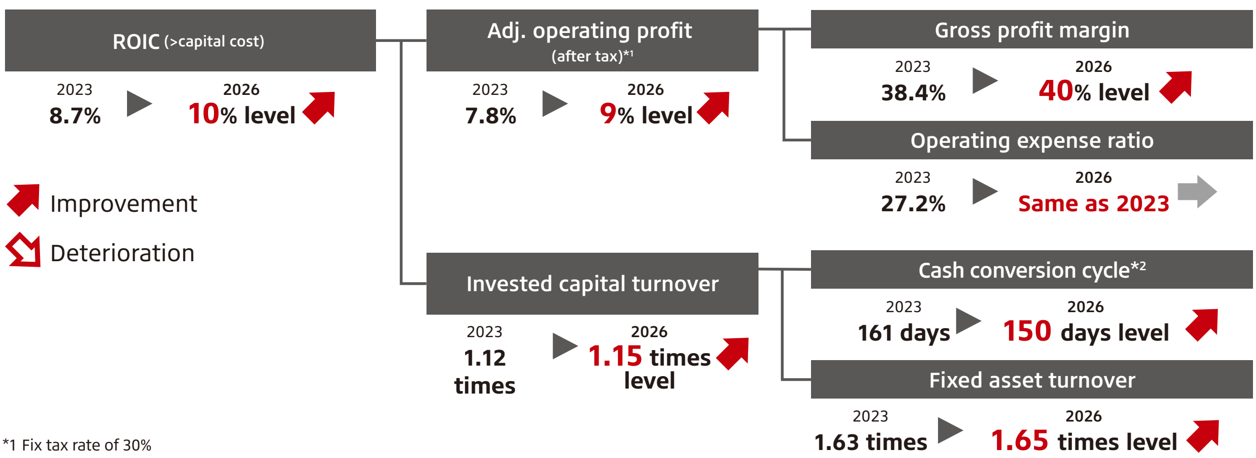
To promote the adoption of this ROIC concept at on-site level and facilitate the implementation of improvement activities, the Financial Strategy Division at the global headquarters oversees global activities as the secretariat. In line with this, we are initiating its implementation that values Bridgestone-like Genbutsu-Genba (respect for being on-site) approach, through sharing improvement case studies with ROIC ambassadors at TQM Conferences. In daily activities, we promote autonomous improvement activities at each site by focusing on both the numerator (profit) and denominator (asset) and setting management items based on the ROIC tree. In addition, with a view to establishing a structure for investment and resource allocation that focuses on capital cost, we have established Global M&A Executive Meeting and Global Investment Executive Meeting Committee. We have established a system to evaluate the certainty of returns based on ROIC by setting hurdle rates that take into account country and business risk, and discussing them with the global management team.

Results and Remaining Issues in ROIC Improvement Activities

As part of the 21MBP, we maintained our ROIC improvement activities using the ROIC tree, however failed to reach our global ROIC target of 10%. In the 24MBP, we will further reinforce the ROIC improvement activities as well as drive reinforcement of earning power across the entire value chain. By evaluating performance based on ROIC for each business and region and implementing the PDCA cycle, we aim to achieve the level of 10% of our ROIC target, which remains an issue from the 21MBP.

To achieve our goals, we are aiming for improvements in each management item of the ROIC tree. Regarding gross profit margin in the adjusted operating profit ratio, we are introducing Dan-Totsu products, expanding sales of premium tires, creating value by fusing "new premium" ENLITEN and BCMA, and further reduce deficit and unprofitable areas. In terms of operating expense ratio, we are continuing to reduce business costs through global SCM logistics transformation and steady on-site productivity improvement, in addition to thorough cost management. On the other hand, regarding the cash conversion cycle, which is a component of invested capital turnover ratio, we are enhancing inventory management to rapidly adapt to demand and sales fluctuations. For fixed asset turnover, we are executing the 2nd stage of rebuilding and further improving the efficiency of existing assets through periodic reviews of land, buildings, and strategic shareholdings.

● 24MBP Targets Leveraging the ROIC Tree



*1 Fix tax rate of 30%

*2 Cash Conversion Cycle (CCC) = Days of inventory outstanding + Days of sales outstanding − Days of payables outstanding

Message from the Global CFO: Financial Capital Strategy
Enhancing Shareholder Returns through "Reinforcing Earning Power"

Financial Capital Strategy Towards Achieving the 24MBP

In the 24MBP, Bridgestone will continue to undertake management focusing on capital cost based on ROIC, our most important management indicator. We will strengthen our business quality by driving improvement across the entire value chain, thereby striving to reinforce our earning power as "cash in". Regarding capital allocation as "cash out" while prioritizing sustainable growth and corporate value enhancement through "strategic growth investment", we will promote "maintaining an appropriate financial position" and "enhancing shareholder returns". Especially for shareholder returns, we aim to continuously increase dividends per share in accordance with growth in adjusted operating profit to meet the expectations of our stakeholders.

Capital Allocation

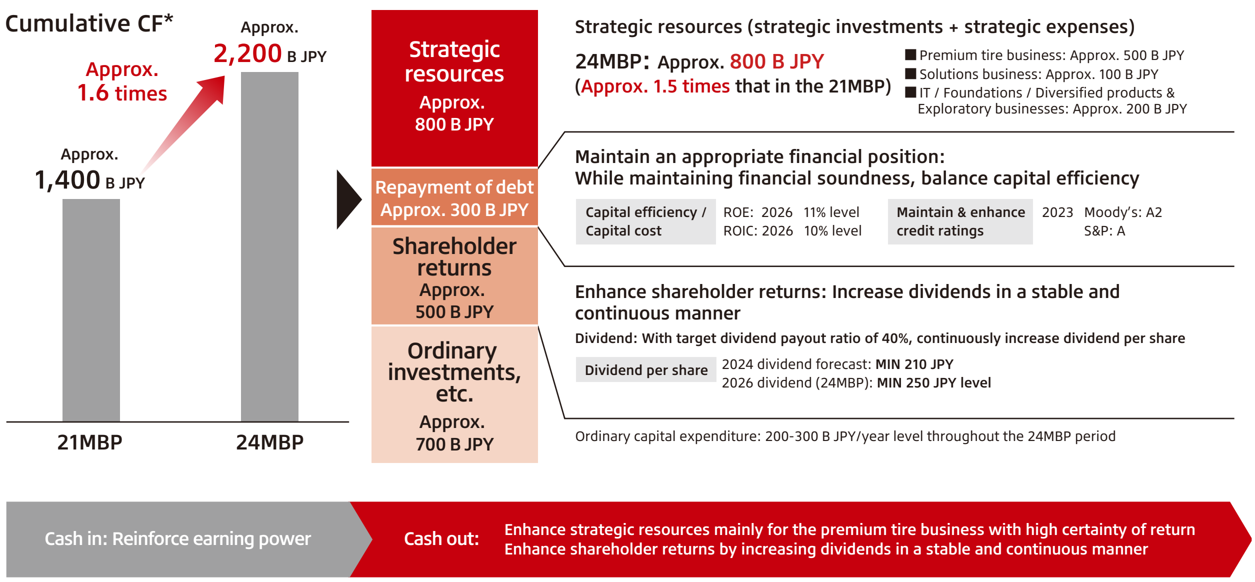
Bridgestone regards the interests of our shareholders as an important management priority, and follows a basic policy of strengthening our management base in preparation for future business developments while working to improve business results. As for capital allocation, we are prioritizing sustainable growth and corporate value

Naoki Hishinuma
Global CFO
Executive Director, G Finance

enhancement through "strategic growth investment" to reinforce earning power, focus on value creation, and build a sustainable premium brand, while "maintaining an appropriate financial position" and "enhancing shareholder returns" in accordance with the 2030 Long Term Strategic Aspiration as a roadmap.

Regarding "strategic growth investment", we plan to allocate the strategic resources at the level of approximately 800 B JPY in the 24MBP, approximately 1.5 times that of the 21MBP, as well as expand resources mainly in the premium tire business, which has high certainty of return. In terms of "maintaining an appropriate financial position", we will drive improvements in capital efficiency, aiming for ROE at the level of 11% and ROIC at the level of 10% by 2026, while maintaining financial soundness.

● Capital Allocation/ Shareholder Returns



* Adjusted, such as excluding strategic OPEX, etc.

For Enhancing Shareholder Returns

Bridgestone's basic policy is to increase dividends in a stable and continuous manner through sustainable enhancement of corporate value, with a target consolidated dividend payout ratio to be 40%, taking into consideration not only our business performance and financial position for the relevant period, but also our mid-term profit forecast, investment plans, and cash flow. Based on this basic policy, the dividend forecast for 2024 is an increase of 10 JPY versus 2023 while the annual dividend is expected to be 210 JPY per share at minimum, increasing to 250 JPY level per share at minimum by 2026. Towards 2030, we aim to gradually raise the dividend payout ratio to 50% as a target. Bridgestone will also flexibly consider share buybacks as an option.

Maintaining Financial Soundness

With an appropriate financial discipline, we are maintaining and ensuring financial soundness, as well as keeping a high level long-term credit rating.

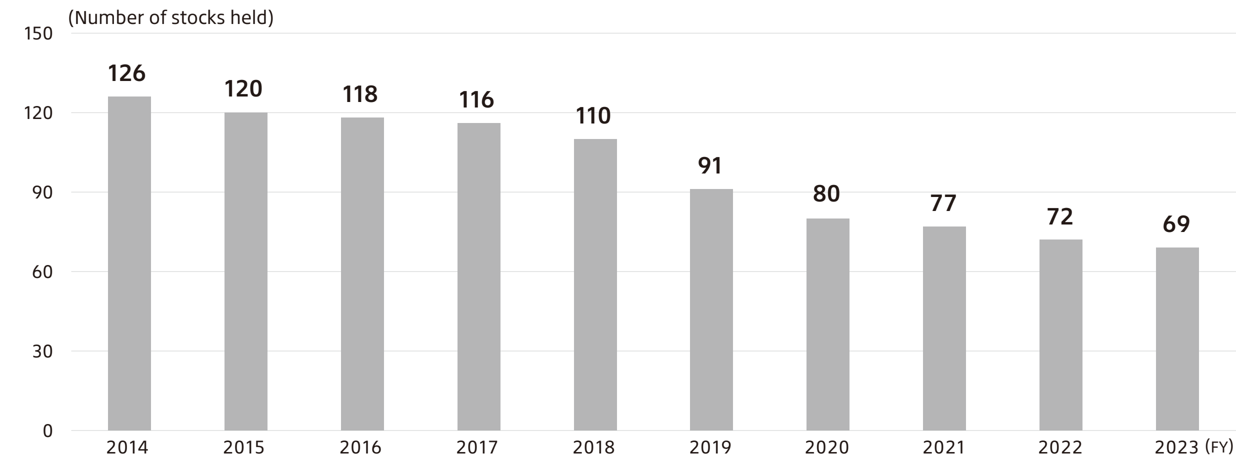
As of December 31, 2023

Rating Agency Name	Long-term Rating
Moody's Japan K.K. (Moody's)	A2
Standard & Poor's (S&P)	A
Rating and Investment Information, Inc. (R&I)	AA+
Japan Credit Rating Agency, Ltd. (JCR)	AA+

Strategic Shareholdings Policy

Bridgestone defines strategic shareholdings as holdings that contribute toward increased corporate value of the Company and are held out of necessity from the Company's business strategy perspective or with the goal of maintaining or strengthening relationships with businesses or collaborative industries. We will not hold strategic shareholdings for reasons outside of this definition. We also confirm the appropriateness of our holdings on an annual basis, including an assessment of securities for which shares are held, number of shares held, holding ratios, and other factors. These assessments are then verified by the Board of Directors. Appropriateness of holding is comprehensively determined by operating divisions involved in business execution in accordance with the shareholding policy of the Company, taking into account a quantitative evaluation of the economic rationale corresponding to the cost of capital and other relevant factors for each individual stock holding. Shareholdings that are not judged as appropriate based on the results of this verification process are reduced after establishing a dialogue and gaining the understanding of the business partner for the holding in question. As of the end of 2023, the ratio of shares held by strategic shareholdings to net assets (consolidated) was 1.5%, decreasing year by year.

● **Strategic Shareholding Status**



Total amount recorded on balance sheet* (M JPY)

259,754	270,895	238,370	248,917	164,015	87,343	70,314	89,447	60,110	49,896

* Total of listed and unlisted shares