

Management's Discussion and Analysis

The Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) beginning from fiscal 2020. Figures for fiscal 2019 are reclassified under IFRS and are stated together for comparison.

Unless stated otherwise, all figures are taken from the consolidated financial statements and notes. U.S. dollar figures have been translated solely for the convenience of readers outside Japan at the rate of ¥103.50 to \$1, the prevailing exchange rate on December 31, 2020.

Results of Operations

Business environment

In terms of the Group's operating environment, after a global decline in tire demand caused by the novel coronavirus disease (COVID-19) during the first and second quarter of fiscal 2020, the Group saw a recovery in demand during the third quarter as restrictions on the movement of people and goods were eased and economic activities resumed. In the fourth quarter, a second wave of COVID-19 caused a decline in demand for passenger vehicle tires, whereas demand for truck and bus tires remained strong as the trend of recovery continued. For the full year, the Group experienced a large decline in tire demand compared with the previous fiscal year.

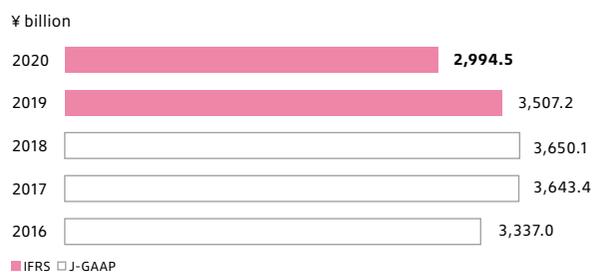
Revenue, adjusted operating profit, and operating profit

Revenue decreased by ¥512.7 billion (\$4,954 million), or 15%, from the previous fiscal year, to ¥2,994.5 billion (\$28,933 million), primarily due to a drop in global demand for tires as a result of COVID-19.

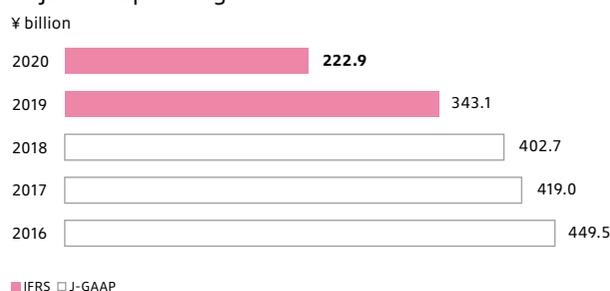
For the same reason, adjusted operating profit decreased by ¥120.2 billion (\$1,161 million), or 35%, from the previous fiscal year, to ¥222.9 billion (\$2,154 million). In addition, operating profit decreased by ¥285.2 billion (\$2,756 million), or 82%, from the previous fiscal year, to ¥64.1 billion (\$619 million), due to the recording of impairment losses of ¥95.4 billion, of which ¥5.8 billion was recorded as business and plant restructuring expenses. As a result, the adjusted operating profit margin dropped 2.3 percentage points, to 7.4%.

The average yen/dollar exchange rate in fiscal 2020 was ¥107, compared with ¥109 in the previous fiscal year, while the average yen/euro exchange rate in fiscal 2020 was ¥122, compared with ¥122 in the previous fiscal year.

Revenue



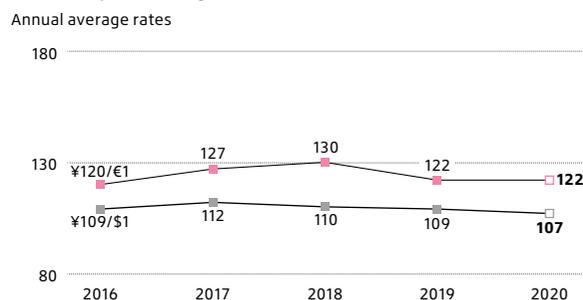
Adjusted Operating Profit



Adjusted Operating Profit Margin

2020	2019	2018	2017	2016
IFRS				J-GAAP
% of net sales				
7.4	9.8	11.0	11.5	13.5

Currency Exchange Rates



Performance by business segment

The following business results for each segment reflect a major decline in tire demand that took place over the course of fiscal 2020 in comparison with the previous fiscal year, despite a definite recovery in demand in the third and fourth quarter of fiscal 2020 from a global decline in tire demand caused by COVID-19 in the first and second quarter. The segment results include inter-segment transactions that are eliminated when calculating consolidated results.

• Japan

In Japan, unit sales of tires for passenger cars and light trucks and unit sales of tires for trucks and buses decreased substantially compared with fiscal 2019. As a result, revenue decreased by 17%, to ¥762.6 billion (\$7,368 million), and adjusted operating profit decreased by 41%, to ¥64.6 billion (\$624 million), from the previous fiscal year.

• Americas

In the Americas, unit sales of tires for passenger cars and light trucks in North America and overall unit sales of tires for trucks and buses decreased significantly compared with fiscal 2019. As a result, revenue decreased by 15%, to ¥1,407.9 billion (\$13,603 million), and adjusted operating profit decreased by 24%, to ¥139.9 billion (\$1,352 million), from the previous fiscal year.

• Europe, Russia, Middle East, India and Africa

In Europe, unit sales of tires for passenger cars and light trucks and unit sales of tires for trucks and buses decreased considerably compared with fiscal 2019. As a result, revenue decreased by 12%, to ¥564.3 billion (\$5,452 million), and adjusted operating profit amounted to a loss of ¥17.6 billion (\$170 million), compared with a profit of ¥15.0 billion in the previous fiscal year.

• China, Asia-Pacific

In China and the Asia-Pacific region, unit sales of tires for passenger cars and light trucks and unit sales of tires for trucks and buses decreased substantially compared with fiscal 2019. As a result, revenue decreased by 15%, to ¥394.6 billion (\$3,813 million), and adjusted operating profit decreased by 32%, to ¥24.6 billion (\$238 million), from the previous fiscal year.

Revenue by Business Segment

	Net of inter-segment transactions	
	2020	2019
Japan	762.6	918.1
Americas	1,407.9	1,661.7
Europe, Russia, Middle East, India and Africa	564.3	640.1
China, Asia-Pacific	394.6	462.8

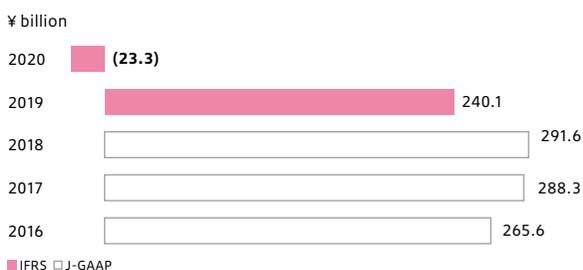
Composition of Revenue by Business Segment

	Net of inter-segment transactions	
	2020	2019
Japan	24.4%	24.9%
Americas	45.0%	45.1%
Europe, Russia, Middle East, India and Africa	18.0%	17.4%
China, Asia-Pacific	12.6%	12.6%

Profit attributable to owners of parent

In fiscal 2020, profit attributable to owners of parent decreased from a profit of ¥240.1 billion in fiscal 2019 to a loss of ¥23.3 billion (\$225 million), due to the recording of a decrease in operating profit of ¥285.2 billion (\$2,756 million) and an impairment loss related to shares using equity method of ¥18.2 billion (\$176 million).

Profit Attributable to Owners of Parent



Financial Condition

Assets

Total current assets were ¥2,054.5 billion (\$19,851 million), increasing by ¥136.1 billion (\$1,315 million), or 7%, from the end of the previous fiscal year, as trade and other receivables decreased by ¥87.6 billion (\$846 million), and inventories decreased by ¥138.9 billion (\$1,342 million), whereas cash and cash equivalents increased by ¥377.6 billion (\$3,649 million).

Non-current assets were ¥2,134.8 billion (\$20,626 million), decreasing by ¥223.8 billion (\$2,162 million), or 9%, from the end of the previous fiscal year, as property, plant and equipment decreased by ¥163.0 billion (\$1,575 million), mainly due to the recording of impairment losses.

Liabilities

Total current liabilities were ¥1,041.7 billion (\$10,065 million), increasing by ¥146.4 billion (\$1,415 million), or 16%, from the end of the previous fiscal year, as trade and other payables decreased by ¥32.9 billion (\$318 million), whereas bonds and borrowings increased by ¥158.5 billion (\$1,532 million).

Total non-current liabilities were ¥952.3 billion (\$9,201 million), decreasing by ¥26.9 billion (\$260 million), or 3%, from the end of the previous fiscal year, as bonds and borrowings increased by ¥6.5 billion (\$63 million), whereas retirement benefit liabilities decreased by ¥19.9 billion (\$193 million) and deferred tax liabilities decreased by ¥15.8 billion (\$152 million).

Furthermore, total interest-bearing debt recorded in both current liabilities and non-current liabilities increased by ¥161.7 billion (\$1,563 million), or 19%, from the end of the previous fiscal year, to ¥1,006.2 billion (\$9,722 million).

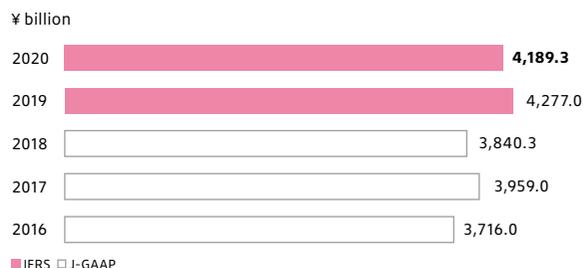
Note: Interest-bearing debt includes bonds and borrowings and lease liabilities.

Equity

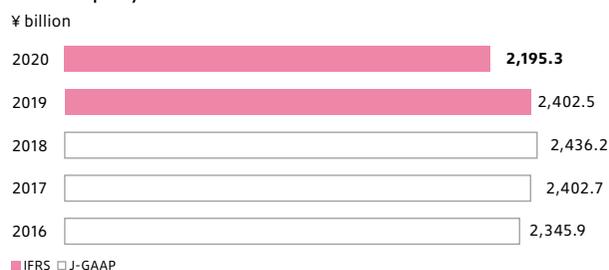
Total equity was ¥2,195.3 billion (\$21,211 million), decreasing by ¥207.2 billion (\$2,002 million), or 9%, from the end of the previous fiscal year, as the Group recorded loss attributable to owners of parent of ¥23.3 billion (\$225 million), due in part to dividends paid (owners of parent) of ¥91.5 billion (\$884 million).

As a result, total assets at the end of fiscal 2020 amounted to ¥4,189.3 billion (\$40,477 million), decreasing by ¥87.7 billion (\$847 million), or 2%, from the end of the previous fiscal year. Furthermore, the ratio of equity attributable to owners of parent to total assets for fiscal 2020 was 51.3%, down 3.6 percentage points from the end of the previous fiscal year.

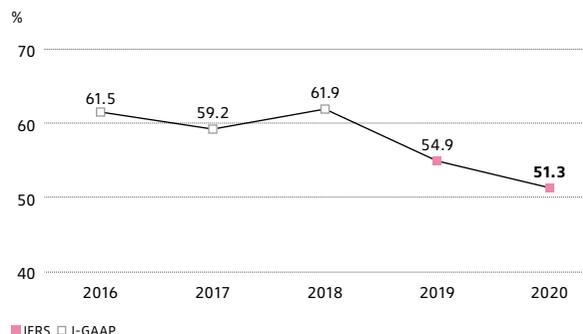
Total Assets



Total Equity



Ratio of Equity Attributable to Owners of Parent



Return on Invested Capital

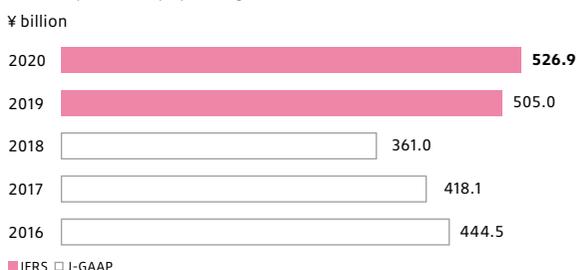
2020	2019	2018	2017	2016
IFRS		J-GAAP		
% of net sales				
5.5	7.4	—	—	—

Net Return on Shareholders' Equity

2020	2019	2018	2017	2016
IFRS		J-GAAP		
% of net sales				
-1.0	10.0	12.4	12.5	11.8

Cash Flow

Net cash provided by operating activities



Cash flow

Cash and cash equivalents (hereinafter "net cash") increased by ¥377.6 billion (\$3,649 million) during fiscal 2020, to ¥810.5 billion (\$7,831 million), compared with a decrease of ¥1.0 billion during the previous fiscal year.

Net cash provided by operating activities increased by ¥21.9 billion (\$212 million) compared with the previous fiscal year, to ¥526.9 billion (\$5,091 million). The principal reasons for this increase include profit before tax of ¥29.3 billion (\$283 million), compared with ¥335.5 billion in the previous fiscal year; depreciation and amortization of ¥267.5 billion (\$2,584 million), compared with ¥269.7 billion in the previous fiscal year; impairment losses of ¥89.6 billion

(\$866 million), compared with ¥10.5 billion in the previous fiscal year; decrease in trade and other receivables of ¥56.9 billion (\$550 million), compared with ¥21.9 billion in the previous fiscal year; and decrease in inventories of ¥128.8 billion (\$1,245 million), compared with ¥7.3 billion in the previous fiscal year. These contributors offset income taxes paid of ¥71.7 billion (\$693 million), compared with ¥79.6 billion in the previous fiscal year.

Net cash used in investing activities decreased by ¥106.5 billion (\$1,029 million) compared with the previous fiscal year, to ¥155.4 billion (\$1,501 million). One of the principal reasons for this decrease was payments for purchase of

Eleven-Year Summary

Bridgestone Corporation and Subsidiaries
Years ended December 31

	2020	2019	2018	2017
	IFRS		J-GAAP	
	Millions of yen, except per share data and financial ratios			
Revenue	¥2,994,524	¥ 3,507,243	¥ 3,650,111	¥ 3,643,428
Adjusted operating profit	222,932	343,122	402,732	419,047
Profit (loss) attributable to owners of parent	(23,301)	240,111	291,642	288,276
Total equity	2,195,291	2,402,477	2,436,162	2,402,739
Total assets	4,189,327	4,277,016	3,840,270	3,959,039
Ratio of equity attributable to owners of parent to total assets	51.3	54.9	61.9	59.2
Per share in yen:				
Net income (loss)				
Basic	(33.09)	332.31	387.95	375.67
Diluted	(33.09)	331.76	387.28	375.01
Equity attributable to owners of parent per share	3,053.35	3,336.92	3,163.71	3,115.69
Cash dividends	110.00	160.00	160.00	150.00
Capital expenditure	271,900	328,159	268,421	234,850
Depreciation and amortization	267,454	269,749	200,477	200,377
Research and development expenses	95,205	106,202	103,551	99,792

Note: Solely for the convenience of readers, the Japanese yen amounts in this annual report are translated into U.S. dollars at the rate of ¥103.50 to \$1, the approximate year-end rate.

property, plant and equipment of ¥200.7 billion (\$1,939 million), compared with ¥270.5 billion in the previous fiscal year.

Net cash provided by financing activities totaled ¥18.1 billion (\$175 million), compared with net cash use in financing activities of ¥240.5 in the previous fiscal year. The principal reasons for this increase were proceeds from short-term debt of ¥309.4 billion (\$2,990 million), compared with ¥292.9 billion in the previous fiscal year, and proceeds from long-term debt of ¥116.6 billion (\$1,127 million), compared with ¥30 million in the previous fiscal year. These contributors offset the repayments of short-term debt of ¥248.4 billion (\$2,400 million), compared with ¥257.7 billion in the previous fiscal year; repayments of lease liabilities of ¥57.1 billion (\$552 million), compared with ¥55.0 billion in the previous fiscal year; dividends paid to owners of parent of ¥91.5 billion (\$884 million), compared with ¥117.7 billion in the previous fiscal year; and dividends paid to non-controlling interests of ¥7.5 billion (\$72 million), compared with ¥10.0 billion in the previous fiscal year.

Capital financing and liquidity

In addition to borrowings from financial institutions, the Companies will continue to diversify their means of procuring funds, which include direct financing, such as domestic straight bonds and commercial paper, securitization of receivables, and utilization of leases in an effort to diversify risks and minimize interest costs.

Net cash will be used primarily to rebuild earning power in the Group's core businesses and to make strategic growth investments toward expanding the solutions businesses and other exploratory business. At the same time, net cash will be used to maintain an appropriate financial structure and to provide shareholder returns.

Dividend

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

For the fiscal year ended December 31, 2020, the Company achieved significant improvement in its adjusted operating profit and profit compared to the previous forecast.

During fiscal 2020, the Company paid an interim dividend of ¥50.0 (\$0.48) and a year-end dividend of ¥60.0 (\$0.58) per share, totaling ¥110.0 (\$1.06) per share for the year.

	2016	2015	2014	2013	2012	2011	2010
							J-GAAP
	Millions of yen, except per share data and financial ratios						
	¥ 3,337,017	¥ 3,790,251	¥ 3,673,965	¥ 3,568,091	¥ 3,039,738	¥ 3,024,356	¥ 2,861,615
	449,549	517,248	478,038	438,132	285,995	191,322	166,450
	265,551	284,294	300,589	202,054	171,606	102,970	98,914
	2,345,900	2,282,012	2,146,658	1,862,964	1,417,348	1,165,672	1,176,147
	3,716,030	3,795,847	3,960,908	3,577,045	3,039,799	2,677,344	2,706,640
	61.5	58.2	52.4	50.5	45.2	42.2	42.2
	339.04	362.99	383.84	258.10	219.26	131.56	126.19
	338.52	362.52	383.39	257.81	219.10	131.50	126.16
	2,915.85	2,820.48	2,650.47	2,305.64	1,754.30	1,444.53	1,458.01
	140.00	130.00	100.00	57.00	32.00	22.00	20.00
	194,111	253,581	296,396	274,862	245,644	201,390	182,648
	188,062	202,334	188,333	176,180	155,066	158,044	170,663
	95,403	94,978	94,147	89,098	82,801	83,982	85,154