Notes to Consolidated Financial Statements

NOTE 1 REPORTING ENTITY

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

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

NOTE 2 BASIS OF PREPARATION

(1) Statement of compliance with IFRS and matters related to first-time adoption

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

The consolidated financial statements were approved on May 17, 2021 by Shuichi Ishibashi, Member of the Board, Global CEO and Representative Executive Officer of the Company, and Naoki Hishinuma, Corporate Executive Manager, Financial Executive Manager and Global CFO of the Company.

The Group adopted IFRS for the first time in the fiscal year ended December 31, 2020, and the date of transition to IFRS (the "transition date") is January 1, 2019. Effects of the transition to IFRS on the Group's consolidated financial position, financial results and cash flows on the transition date and in the comparative year are stated in Note "39. First-time Adoption of IFRS."

The Group's accounting policies are in compliance with IFRS effective as of December 31, 2020, with the exception of IFRS standards that have not been early adopted and the exemptions permitted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"). The exemptions adopted by the Group are described in Note "39. First-time Adoption of IFRS."

(2) Basis of measurement

The consolidated financial statements of the Group have been prepared based on historical cost, except for items such as financial instruments that are measured at fair value as stated in Note "3. Significant Accounting Policies."

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency adopted by the Company, and figures less than one million yen are rounded off to the nearest million yen.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥103.50 to $1, the approximate rate of exchange on December 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

1) Subsidiaries

A subsidiary is an entity under the control of the Group. The Group controls an entity when it is exposed to or has rights to variable returns arising from its involvement in the entity and has an ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group gains control until the date that control is lost. If any accounting policies applied by a subsidiary differ from those of the Group, adjustments are made to the subsidiary's financial statements where needed to bring them in line with the Group's accounting policies. The balances of payables and receivables and transactions within the Group, as well as unrealized gains or losses arising from internal transactions within the Group, are eliminated when preparing the consolidated financial statements.

Comprehensive income of subsidiaries is attributed to owners of parent and non-controlling interests, even if this results in a negative balance in non-controlling interests.

When the closing date of a subsidiary is different from that of the Group, the subsidiary implements its financial statements based on the provisional accounting as of the Group's closing date. The main subsidiary with a different closing date is BRIDGESTONE INDIA PRIVATE LTD., which adopts a closing date of March 31 due to the local legal system where it operates.

Changes in the Group's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions, and the difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration is directly recognized in equity as interests attributable to the shareholders of the Company.

If the Group loses control over a subsidiary, gains and losses derived from the loss of control are recognized in profit or loss.

2) Associates

An associate is an entity which the Group does not control, but exerts significant influence on financial and operating policies thereof. The equity method is applied to associates from the date that the Group has significant influence to the date that it loses the significant influence.

3) Joint ventures

A joint venture is an entity jointly controlled by two or more parties, including the Group under the contractually agreed sharing of control over economic activities of the joint venture, which exists only when strategic financial and operating decisions related to the relevant activities require unanimous consent of the parties sharing control.

The equity method is applied to joint ventures held by the Group.

(2) Business combinations

Business combinations are accounted for by the acquisition method. Consideration for acquisition is measured as the sum of the acquisition-date fair values of the assets transferred, liabilities assumed, and equity instruments issued by the Company in exchange of control over the acquired company. If consideration for acquisition exceeds the fair value of identifiable assets and liabilities, such excess is recorded as goodwill in the consolidated statement of financial position. Conversely, if the consideration turns out to be less than the fair value, the difference is immediately recognized in profit or loss in the consolidated statement of profit or loss. Acquisition costs that are attributable to a business combination are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of the fiscal year in which the business combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. The provisional values recognized at the acquisition date are retrospectively adjusted to reflect new information obtained during a certain designated period (the "measurement period") on facts and circumstances that existed at the acquisition date and, if known at the acquisition date, would have affected the measurement of the amounts recognized. Additional assets or liabilities are recognized if this new information is known to have resulted in the additional recognition of assets or liabilities. The measurement period may not exceed one year.

The acquisition of additional non-controlling interests is accounted for as an equity transaction, and accordingly, it does not recognize goodwill attributable to such transactions.

Business combinations under common control (i.e., transactions in which all of the combining entities and/or businesses are ultimately controlled by the same party or parties both before and after the business combination and the common control is not transitory) are accounted for at carrying amount.

(3) Foreign currency translation

1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each entity of the Group by using the exchange rate at the date of the transaction or a rate that approximates such rate.

At the end of each reporting period, monetary items denominated in foreign currencies are translated into functional currencies using the exchange rate at the end of each reporting period. Non-monetary items at fair value denominated in foreign currencies are translated at an exchange rate of the date when their fair values are measured.

Exchange differences arising from translation or settlement of monetary items denominated in foreign currencies are recognized in profit or loss. However, those translation differences arising from financial assets measured through other comprehensive income as well as from cash flow hedges are recognized in other comprehensive income.

2) Financial statements of foreign operations

Assets and liabilities of foreign operations, including any goodwill arising on the acquisition of a foreign operation and any fair value adjustments, are translated into presentation currency using the exchange rate at the end of the reporting period. Additionally, income and expenses of foreign operations are translated into presentation currency using average exchange rates during the period, except where the exchange rates fluctuate significantly.

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

(4) Financial instruments

1) Financial assets other than derivatives

(i) Initial recognition and measurement

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

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

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

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

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

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

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

(ii) Subsequent measurement
Financial assets after the initial recognition are as follows, depending on respective classifications:
(a) Financial assets measured at amortized cost
After initial recognition, financial assets measured at amortized cost are measured at amortized cost by using the effective interest method.
(b) Financial assets measured at fair value through profit or loss
After initial recognition, financial assets measured at fair value through profit or loss are remeasured at fair value as of each closing date, and changes in fair values and dividends are recognized in profit or loss.
(c) Financial assets measured at fair value through other comprehensive income
Changes in fair values measured after initial recognition are recognized in other comprehensive income. Such amounts are reclassified into retained earnings in case of derecognition or a significant decline in the fair values. Dividends from such financial assets are recognized in profit or loss as finance income in the period when the Group's right to receive payment of the dividends is established.

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

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

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

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

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

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

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

The amounts of these measurements are recognized in profit or loss. If an event occurs after recognition of an impairment loss that results in a decrease of the impairment loss, such decrease is reversed in profit or loss.

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

3) Financial liabilities other than derivatives
(i) Initial recognition and measurement
Debt securities issued by the Group are initially recognized at the date of issuance. All other financial liabilities are recognized on the date when the Group becomes a party to the contract on such financial instruments.

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

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

(ii) Subsequent measurement

Financial liabilities after the initial recognition are as follows, depending on respective classifications:

(a) Financial liabilities measured at amortized cost

After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost by using the effective interest method.

(b) Financial liabilities measured at fair value through profit or loss

After initial recognition, financial liabilities measured at fair value through profit or loss are remeasured at fair value as of each closing date with any changes in fair values being recognized in profit or loss.

(iii) Derecognition

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

4) Derivatives and hedge accounting

The Group uses derivatives, including forward exchange contracts and interest rate swap transactions, for the purpose of hedging foreign currency risk and interest rate risk.

At the inception of the hedge, the Group designates and documents the hedging relationship between a hedging instrument and a hedged item as well as the Group's risk management objective and strategy concerning the hedge. That documentation includes the hedging relationship, the risk management objective and strategy for undertaking the hedge, as well as the assessment of the hedge effectiveness.

These hedges are expected to be highly effective in offsetting changes in the fair value or the cash flows; however, the Group assesses, on an ongoing basis, whether they actually remained highly effective throughout the hedge period.

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

(i) Fair value hedges

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

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

(ii) Cash flow hedges

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

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

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

(iii) Derivatives not designated as hedging instruments

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

5) Offsetting financial instruments

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

(5) Fair value measurement

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

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

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

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

(6) Cash and cash equivalents

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

(7) Inventories

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

(8) Property, plant and equipment

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

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

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

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

(9) Goodwill and intangible assets

1) Goodwill

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

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

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

2) Intangible assets

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

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

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

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

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

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

(10) Leases

1) Lessee

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

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

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

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

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

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

2) Lessor

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

(11) Impairment of non-financial assets

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

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

(12) Non-current assets held for sale

An asset or asset group that is expected to be recovered through a sale transaction rather than through continuing use is classified as a non-current asset or disposal group held for sale if it is highly probable that the asset or asset group will be sold within one year from the end of the reporting period; the asset or asset group is available for immediate sale in its present condition; and the management of the Group is committed to such sale. A non-current asset held for sale is not depreciated or amortized and measured at the lower of its carrying amount and fair value less costs to sell.

(13) Employee benefits

1) Short-term employee benefits

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

2) Post-employment benefits

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

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

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

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

(14) Share-based payment

The Group has adopted the stock option plan as an equity-settled share-based payment plan as well as the Performance Share Unit (PSU) plan as a cash-settled share-based payment plan. Stock options are estimated at fair value at the date of grant, taking into account the estimated number of options to be vested, and recognized as expenses over the vesting periods in the consolidated statement of profit or loss while corresponding increases to equity are recognized in the consolidated statement of financial position. Fair value of stock options granted is calculated, in accordance with various terms of such options, using the Black-Scholes model.

For the PSU plan, the Group recognizes awards as an expense over the vesting period, recording the same amount as an increase in a liability. As of the reporting date and the settlement date, the Group remeasures the fair value of the liability and recognizes any changes in fair value in profit or loss.

(15) Provisions

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

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

Provisions that the Group recognizes are mainly as follows:

1) Provision for compensation for industrial accidents

The Group estimates and records an amount based on the past and current experience to prepare for the payment of the medical expenses, the absence from work compensation, etc. incurred as a result of industrial accidents.

2) Provision for loss on litigation

To prepare for the expenditures of litigation-related expenses, the Group estimates and records an amount of compensation for damages, settlement package, etc. that is currently expected to be incurred in the future.

3) Provision for business and plant restructuring expenses

Primarily due to the commencement of discussions for the closure of overseas tire plants, the Group estimates and records an amount that is currently expected to be incurred in the future to prepare for the related expenditures.

(16) Revenue

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

Step 1: Identify contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to performance obligations in the contract
Step 5: Recognize revenue when (or as) the performance obligation is satisfied.

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

(17) Government grants

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

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

(18) Borrowing costs

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

(19) Income taxes

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

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

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

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

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from initial recognition of assets and liabilities from transactions that are not business combinations and affect neither accounting profit or taxable income (loss)
- Deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint arrangements when it is probable that the temporary difference will not reverse in the foreseeable future or when it is not probable that taxable profit will be available against which the temporary difference can be utilized.
- Taxable temporary differences arising from investments in subsidiaries and associates, and interests in joint arrangement when the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

(20) Treasury stock

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

(21) Dividends

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

(22) Earnings per share

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

(23) Adjusted operating profit

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

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

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

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

NOTE 4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS INVOLVING ESTIMATES

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

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

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

- Impairment of non-financial assets (Note "16. Impairment of non-financial assets")
- Recoverability of deferred tax assets (Note "18. Income Taxes")
- Provisions (Note "21. Provisions")
- Measurements of defined benefit obligations (Note "23. Employee Benefits")
- Fair value measurement of financial instruments (Note "34. Financial Instruments")

The assumptions and estimates that have a significant risk of causing a material adjustment in the future are mainly as follows:

Impairment for non-financial assets (property, plant and equipment; right-of-use assets; intangible assets; goodwill; and investments accounted for using the equity method) and recoverability of deferred tax assets are estimated and assessed including the impacts of COVID-19. Given the progress of the recovery in demand and changes in the environment of each region, the Group separately estimates the impact of COVID-19, assuming that it will have a direct impact on the Group's performance until the period ending December 31, 2022 at the longest. Please refer to the consolidated financial statements for the balances of property, plant and equipment; right-of-use assets; intangible assets; goodwill; investments accounted for using the equity method; and deferred tax assets at the end of the fiscal year ended December 31, 2020. As for impairment of non-financial assets and the recoverability of deferred tax assets, please refer to Note "16. Impairment of non-financial assets" and Note "18. Income Taxes", respectively.

NOTE 5 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

NOTE 6 OPERATING SEGMENTS

(1) Description of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available, and which are subject to regular review by the Board of Directors for the purpose of making decisions about the allocation of management resource and assessing the segments' performance.

From the first quarter ended March 31, 2020, the Group has consolidated the reportable segments, which were previously divided into two "business segments" and four "geographical segments," into the following four segments: "Japan," "Americas," "Europe, Russia, Middle East, India and Africa," and "China, Asia-Pacific." The consolidation of the reportable segments has been made for the purpose of disclosing business results more appropriately based on the SBU (Strategic Business Units) —the classification of the Group's businesses for management control purposes. In the aforementioned new segment structure, the Group engages in production and sale of tires and tubes, sale of wheels and accessories, production and sale of retread material and services, auto maintenance and repair services, and Diversified products business including Chemical and Industrial Products and BSAM Diversified Products.

(2) Revenues and Performances of Reportable Segment

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

Fiscal year ended December 31, 2020

	Reportable segments							
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total	Others (Note 1)	Corporate or elimination	Consolidated total
								Millions of yen
Revenue								
External revenue	**¥608,103**	**¥1,402,147**	**¥556,843**	**¥345,664**	**¥2,912,757**	**¥ 81,735**	**¥ 32**	**¥2,994,524**
Inter-segment revenue	**154,531**	**5,797**	**7,505**	**48,946**	**216,779**	**39,359**	**(256,138)**	**—**
Total revenue	**762,635**	**1,407,943**	**564,348**	**394,610**	**3,129,536**	**121,094**	**(256,106)**	**2,994,524**
Segment profit (loss)								
Adjusted operating profit (loss)	**¥ 64,621**	**¥ 139,862**	**¥ (17,557)**	**¥ 24,595**	**¥ 211,520**	**¥ 1,381**	**¥ 10,030**	**¥ 222,932**
Other items								
Depreciation and amortization	**¥ 56,465**	**¥ 92,608**	**¥ 49,289**	**¥ 44,367**	**¥ 242,729**	**¥ 11,383**	**¥ 13,343**	**¥ 267,454**
Impairment losses	**17,329**	**710**	**21,406**	**50,161**	**89,605**	**16**	**—**	**89,622**
Impairment loss related to shares using equity method	**—**	**17,501**	**694**	**—**	**18,196**	**—**	**—**	**18,196**

(Note 1) "Others" includes the sporting goods business and the bicycles business that the Company operates.

Fiscal year ended December 31, 2019

	Reportable segments							
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total	Others (Note 1)	Corporate or elimination	Consolidated total
								Millions of yen
Revenue								
External revenue	¥718,485	¥1,652,845	¥630,625	¥402,711	¥3,404,667	¥102,536	¥ 41	¥3,507,243
Inter-segment revenue	199,629	8,835	9,494	60,079	278,037	70,505	(348,542)	—
Total revenue	918,114	1,661,680	640,119	462,790	3,682,703	173,041	(348,501)	3,507,243
Segment profit (loss)								
Adjusted operating profit	¥108,810	¥ 184,264	¥ 15,034	¥ 36,232	¥ 344,340	¥ 3,792	¥ (5,010)	¥ 343,122
Other items								
Depreciation and amortization	¥ 55,648	¥ 94,535	¥ 38,717	¥ 54,437	¥ 243,337	¥ 13,168	¥ 13,244	¥ 269,749
Impairment losses	7,050	221	—	764	8,035	2,508	—	10,542

(Note 1) "Others" includes the sporting goods business and the bicycles business that the Company operates.

Fiscal year ended December 31, 2020

	Reportable segments							
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total	Others (Note 1)	Corporate or elimination	Consolidated total
								Thousands of U.S. dollars
Revenue								
External revenue	**$5,875,396**	**$13,547,309**	**$5,380,128**	**$3,339,747**	**$28,142,581**	**$ 789,714**	**$ 305**	**$28,932,599**
Inter-segment revenue	**1,493,057**	**56,008**	**72,508**	**472,907**	**2,094,479**	**380,281**	**(2,474,760)**	**—**
Total revenue	**7,368,452**	**13,603,317**	**5,452,636**	**3,812,655**	**30,237,060**	**1,169,995**	**(2,474,456)**	**28,932,599**
Segment profit (loss)								
Adjusted operating profit (loss)	**$ 624,353**	**$ 1,351,324**	**$ (169,635)**	**$ 237,634**	**$ 2,043,676**	**$ 13,345**	**$ 96,912**	**$ 2,153,933**
Other items								
Depreciation and amortization	**$ 545,555**	**$ 894,765**	**$ 476,218**	**$ 428,670**	**$ 2,345,209**	**$ 109,978**	**$ 128,914**	**$ 2,584,101**
Impairment losses	**167,428**	**6,862**	**206,818**	**484,645**	**865,753**	**157**	**—**	**865,910**
Impairment loss related to shares using the equity method	**—**	**69,096**	**6,708**	**—**	**175,803**	**—**	**—**	**175,803**

(Note 1) "Others" includes the sporting goods business and the bicycles business that the Company operates.

Reconciliation from adjusted operating profit to profit before tax

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Adjusted operating profit (Note 2)	**¥222,932**	¥343,122	**$2,153,933**
Adjusted items (income) (Note 3)	**467**	27,396	**4,515**
Adjusted items (expenses) (Note 5)	**159,285**	21,181	**1,538,988**
Operating profit	**64,114**	349,336	**619,460**
Finance income	**8,431**	17,748	**81,457**
Finance costs	**23,654**	28,324	**228,542**
Impairment loss related to shares using equity method	**18,196**	—	**175,803**
Share of profit (loss) of investments accounted for using the equity method	**(1,429)**	(3,251)	**(13,809)**
Profit before tax	**¥ 29,266**	¥335,510	**$ 282,764**

(Note 2) For adjusted operating profit, adjusted items (i.e., income and expenses) are excluded from operating profit.
(Note 3) The major breakdown of adjusted items (i.e., income) are as follows:

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Insurance claim income	**¥305**	¥ 130	**$2,946**
Business and plant restructuring income	**162**	14	**1,569**
Other gain with large amounts related to one time event	**—**	(Note 4) 27,252	**—**
Adjusted items (income)	**¥467**	¥27,396	**$4,515**

(Note 4) Gains on the sale of land are recorded in here.
(Note 5) The major breakdown of adjusted items (i.e., expenses) are as follows:

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Impairment losses (Note 6)	**¥ 89,622**	¥10,542	**$ 865,910**
Cost of sales (i.e., loss on disaster)	**(Note 7) 11,685**	—	**112,902**
Other expenses (i.e., loss on disaster)	**(Note 8) 3,747**	584	**36,207**
Business and plant restructuring expenses	**(Note 10) 42,821**	(Note 9) 2,635	**413,727**
Other expense with large amounts related to one time event (Note 11)	**11,410**	7,420	**110,242**
Adjusted items (expenses)	**¥159,285**	¥ 21,181	**$1,538,988**

(Note 6) The major breakdown of impairment losses is presented in Note "16. Impairment of non-financial assets."
(Note 7) This was primarily the recording of fixed costs, etc. arising from the period when operations were temporarily suspended at plants, etc. due to official requests and declarations by the national and local governments to prevent the spread of COVID-19.
(Note 8) This was primarily the recording of fixed costs, incurred over the period of the suspended operations of retail stores, etc., and expenses, etc., which were the direct result of the preparation for and cancellation of events that were canceled due to official requests and declarations by the national and local governments to prevent the spread of COVID-19.
(Note 9) This was primarily the recording of expenses relating to the sale of an overseas raw materials plant.
(Note 10) This was primarily the recording of expenses, such as provisions relating to the commencement of discussions for the closure of overseas tire plants and expenses for the transfer of the unit bath business.
(Note 11) This was the recording of expenses relating to inspections, repairs, etc. of the affected standard and power assist bicycles following the recall of certain models of standard and power assist bicycles manufactured by Bridgestone Cycle Corporation, a Bridgestone consolidated subsidiary.

(3) Information about geographical areas
The breakdown of revenue from external customers and non-current assets by geographical area is as follows:
Revenue from external customers

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Japan	**¥ 564,864**	¥ 649,294	**$ 5,457,624**
Americas	**1,386,353**	1,657,251	**13,394,717**
(Of which, the U.S.)	**(1,137,636)**	(1,353,971)	**(10,991,654)**
Europe, Russia, Middle East, India and Africa	**631,602**	710,177	**6,102,432**
China, Asia-Pacific	**411,705**	490,521	**3,977,827**
Total	**¥ 2,994,524**	¥ 3,507,243	**$ 28,932,599**

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

Non-current assets

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Japan	**¥ 526,026**	¥ 538,829	¥ 540,397	**$ 5,082,378**
Americas	**749,935**	805,822	794,794	**7,245,745**
Europe, Russia, Middle East, India and Africa	**394,585**	364,901	231,256	**3,812,415**
China, Asia-Pacific	**255,687**	389,299	390,561	**2,470,403**
Total	**¥1,926,232**	¥2,098,850	¥1,957,008	**$18,610,941**

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

(4) Information about major customers

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

NOTE 7 BUSINESS COMBINATIONS

Fiscal year ended December 31, 2019

(1) Overview of business combinations

1) Name and business of the acquiree

Name of the acquiree	TOMTOM TELEMATICS B.V. (the company name was changed to WEBFLEET SOLUTIONS B.V. on October 1, 2019)
Description of business	Digital fleet solutions business

2) Acquisition date

April 1, 2019

3) Percentage of voting equity interests acquired

100%

4) Primary reasons for the business combination

The acquired digital fleet solution business offers a leading data platform in the transportation and personal mobility industries, which enables safer driving and improves efficiency and productivity for personal and commercial mobility through controlling and providing various driving data. Going forward, combining this digital fleet solutions business with the Company's tire expertise and global service network accelerates its effort to expand solution business.

5) Acquisition method

Acquisition of shares through cash consideration

(2) Fair values of the total consideration transferred, assets acquired, and liabilities assumed as of acquisition date

	Amount
	Millions of yen
Fair value of the total consideration transferred (cash)	¥113,575
Fair value of assets acquired and liabilities assumed as of acquisition date	
Cash and cash equivalents	4,230
Trade and other receivables	1,839
Inventories	1,216
Property, plant and equipment	1,660
Intangible assets	66,867
Other assets	184
Trade and other payables	(18,500)
Fair value of assets acquired and liabilities assumed as of acquisition date, net	57,497
Goodwill	¥ 56,078

The acquisition-related costs for this business combination are ¥1,620 million, all of which are included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Goodwill represents excess earning power that would be expected through its future business development.

(3) Fair value of the receivables

The fair values of the trade and other receivables acquired are as follows:

	Amount
	Millions of yen
The gross contractual amounts	¥2,144
The best estimate at the acquisition date of the contractual cash flows not expected to be collected	305
Fair value of the trade and other receivables	¥1,839

(4) Cash flows arising from the acquisition

	Amount
	Millions of yen
Cash and cash equivalents paid for the acquisition	¥113,575
Cash and cash equivalents held by the acquiree at the time of acquisition	4,230
Payments for acquisition of subsidiaries	¥109,345

(5) Effect on business performance

Profit and loss information after the acquisition date of this business combination and profit and loss information as though this business combination had been completed at the beginning of the fiscal year, are not disclosed because the impact on the consolidated financial statements is immaterial.

Fiscal year ended December 31, 2020

Not applicable.

NOTE 8 CASH AND CASH EQUIVALENTS

The breakdown of "Cash and cash equivalents" is as follows:

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Cash and deposits (maturing within three months)	**¥810,546**	¥432,924	¥423,916	**$7,831,361**
Marketable securities (maturing within three months)	**—**	—	10,000	**—**
Total	**¥810,546**	¥432,924	¥433,916	**$7,831,361**

NOTE 9 TRADE AND OTHER RECEIVABLES

The breakdown of "Trade and other receivables" is as follows:

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Notes and accounts receivable	**¥668,980**	¥743,814	¥770,775	**$6,463,575**
Other	**36,037**	43,926	40,813	**348,186**
Allowance for doubtful accounts	**(37,256)**	(32,396)	(29,672)	**(359,961)**
Total	**¥667,761**	¥755,344	¥781,916	**$6,451,800**

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

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

The changes in allowance for doubtful accounts are presented in Note "34. Financial Instruments (3) Credit risk management 2) Changes in allowance for doubtful accounts."

NOTE 10 INVENTORIES

The breakdown of "Inventories" is as follows:

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Finished products	**¥317,326**	¥436,034	¥432,006	**$3,065,948**
Work in process	**32,625**	38,691	37,877	**315,215**
Raw materials and supplies	**138,319**	152,164	172,204	**1,336,412**
Other	**2,971**	3,273	3,837	**28,705**
Total	**¥491,240**	¥630,162	¥645,924	**$4,746,278**

The amounts of inventories recognized as expenses during the fiscal years ended December 31, 2020 and 2019 are ¥1,508,515 million ($14,575,027 thousand) and ¥1,814,009 million, respectively.

NOTE 11 OTHER FINANCIAL ASSETS

(1) Breakdown of other financial assets

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

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Equity instruments	**¥ 82,274**	¥ 98,650	¥175,799	**$ 794,916**
Others	**38,226**	56,122	67,374	**369,333**
Total	**¥120,500**	¥154,773	¥243,173	**$1,164,250**
Current assets	**7,277**	14,311	25,867	**70,313**
Non-current assets	**113,222**	140,462	217,306	**1,093,937**
Total	**¥120,500**	¥154,773	¥243,173	**$1,164,250**

Equity instruments are categorized as financial assets measured at fair value through other comprehensive income.

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

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

Issuers	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
JSR Corporation	**¥18,753**	¥12,960	¥37,016	**$ 181,191**
Toyota Motor Corporation	**15,595**	15,119	12,555	**150,675**
Nokian Tyres PLC	**15,248**	13,089	35,764	**147,325**
Toyo Tire Corporation	**7,840**	7,875	13,750	**75,749**
Sumitomo Mitsui Financial Group, Inc.	**1,792**	2,270	2,049	**17,318**
Mitsubishi UFJ Financial Group, Inc.	**1,268**	1,649	1,496	**12,253**
Fuji Kyuko Co., Ltd.	**1,177**	1,033	792	**11,375**
Yellow Hat Ltd.	**884**	1,032	691	**8,545**

These stocks are designated as financial assets measured at fair value through other comprehensive income as they are held for the purpose of mainly maintaining and strengthening business and collaborative relationship and for their strategic importance to the Group.

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

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

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

Fiscal year ended December 31, 2020		Fiscal year ended December 31, 2019		Fiscal year ended December 31, 2020	
Fair value	Cumulative gains (losses)	Fair value	Cumulative gains (losses)	Fair value	Cumulative gains (losses)
			Millions of yen		Thousands of U.S. dollars
¥20,509	**¥17,290**	¥87,095	¥76,642	**$198,155**	**$167,052**

When financial assets measured at fair value through other comprehensive income are derecognized or the fair value declines significantly, cumulative gains (losses) recognized in other comprehensive income are reclassified to retained earnings. The amounts of cumulative gains (losses), net of tax, which were recognized in other comprehensive income and subsequently reclassified into retained earnings, are ¥11,094 million ($107,191 thousand) and ¥61,058 million for the fiscal years ended December 31, 2020 and 2019, respectively.

NOTE 12 OTHER ASSETS

The breakdown of "Other current assets" and "Other non-current assets" are as follows:

(1) Other current assets

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Prepaid expenses	**¥23,437**	¥24,978	¥20,682	**$226,444**
Consumption tax receivables	**18,580**	27,825	23,672	**179,521**
Others	**34,262**	27,840	34,081	**331,034**
Total	**¥76,279**	¥80,643	¥78,435	**$736,999**

(2) Other non-current assets

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Retirement benefit assets (Note 1)	**¥21,392**	¥ 11,514	¥ 5,123	**$206,686**
Others (Note 2)	**28,842**	33,102	28,205	**278,664**
Total	**¥50,234**	¥44,616	¥33,327	**$485,350**

(Note 1) The details of retirement benefit assets are presented in Note "23. Employee Benefits (1) Post-employment benefits 3) Reconciliation of defined benefit obligations and plan assets."

(Note 2) "Others" mainly consists of spare parts.

NOTE 13 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale as of January 1, 2019 (transition date) mainly relates to property, plant and equipment from the Americas segment. They were classified into assets held for sale as the Group has made the decision to sell these assets.

Non-current assets held for sale as of January 1, 2019 (transition date) were sold during the fiscal year ended December 31, 2019.

Non-current assets held for sale and liabilities directly associated with non-current assets held for sale for the fiscal year ended December 31, 2019 represent certain items of other assets and liabilities mainly in the Japan segment that belong to the unit bath business to be transferred. They were classified into the held-for-sale category as the Group has made a decision to sell.

Non-current assets held for sale and liabilities directly associated with non-current assets held for sale as of the fiscal year ended December 31, 2019 were already sold during the fiscal year ended December 31, 2020.

Non-current assets held for sale and liabilities directly associated with non-current assets held for sale for the fiscal year ended December 31, 2020 represent certain items of property, plant and equipment and other liabilities mainly in the Americas segment. They were classified into the held-for-sale category as the Group has made a decision to sell within one year from the end of this reporting period.

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

The changes in the carrying amount of "Property, plant and equipment," as well as cost, accumulated depreciation and accumulated impairment losses are as follows:

Carrying amount	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Others	Total
							Millions of yen
Balance at January 1, 2019	¥558,331	¥513,344	¥93,824	¥161,815	¥172,989	¥14,739	¥1,515,042
Acquisition	—	—	—	—	268,431	—	268,431
Depreciation (Note 1)	(38,038)	(107,586)	(47,907)	—	—	(4,845)	(198,376)
Impairment losses	(3,348)	(4,323)	(618)	(976)	(1,113)	(59)	(10,437)
Sale or disposal	(3,262)	(7,372)	(1,296)	(1,500)	(2,842)	(416)	(16,688)
Transfer from construction in progress	60,059	128,273	45,764	8,361	(246,653)	4,196	—
Other changes (Note 2)	(5,428)	(2,662)	8,123	(140)	(2,294)	(401)	(2,802)
Balance at December 31, 2019	¥568,314	¥519,674	¥97,890	¥167,560	¥188,518	¥13,214	¥1,555,170
Acquisition	**—**	**—**	**—**	**—**	**191,657**	**—**	**191,657**
Depreciation (Note 1)	**(38,469)**	**(105,371)**	**(45,411)**	**—**	**—**	**(4,885)**	**(194,136)**
Impairment losses	**(18,840)**	**(52,198)**	**(8,004)**	**216**	**(12,182)**	**(412)**	**(91,420)**
Sale or disposal	**(2,146)**	**(4,379)**	**(1,812)**	**(2,165)**	**(2,838)**	**(530)**	**(13,870)**
Transfer from construction in progress	**46,120**	**83,883**	**28,172**	**4,922**	**(167,225)**	**4,128**	**—**
Exchange difference	**(20,493)**	**(19,145)**	**(3,058)**	**(3,126)**	**(11,177)**	**(259)**	**(57,258)**
Other changes	**(4,034)**	**2,564**	**12,167**	**(786)**	**(8,201)**	**289**	**1,998**
Balance at December 31, 2020	**¥530,452**	**¥425,028**	**¥79,944**	**¥166,621**	**¥178,552**	**¥11,545**	**¥1,392,141**

(Note 1) Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.
(Note 2) Exchange difference in the fiscal year ended December 31, 2019 is included in "Other changes."

Carrying amount	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Others	Total
							Thousands of U.S. dollars
Balance at December 31, 2019	$5,490,953	$ 5,021,001	$ 945,798	$ 1,618,937	$ 1,821,430	$127,673	$ 15,025,793
Acquisition	**—**	**—**	**—**	**—**	**1,851,761**	**—**	**1,851,761**
Depreciation (Note 1)	**(371,683)**	**(1,018,078)**	**(438,757)**	**—**	**—**	**(47,191)**	**(1,875,708)**
Impairment losses	**(182,026)**	**(504,330)**	**(77,338)**	**2,085**	**(117,701)**	**(3,980)**	**(883,289)**
Sale or disposal	**(20,731)**	**(42,304)**	**(17,506)**	**(20,920)**	**(27,423)**	**(5,131)**	**(134,014)**
Transfer from construction in progress	**445,609**	**810,460**	**272,198**	**47,558**	**(1,615,699)**	**39,874**	**—**
Exchange difference	**(198,002)**	**(184,974)**	**(29,550)**	**(30,203)**	**(107,992)**	**(2,495)**	**(553,216)**
Other changes	**(38,978)**	**24,771**	**117,559**	**(7,592)**	**(79,234)**	**2,791**	**19,316**
Balance at December 31, 2020	**$5,125,144**	**$ 4,106,546**	**$772,404**	**$1,609,865**	**$1,725,143**	**$ 111,541**	**$13,450,642**

(Note 1) Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

Cost	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Others	Total
							Millions of yen
Balance at January 1, 2019	¥ 1,131,025	¥ 2,147,859	¥ 557,511	¥ 168,553	¥ 179,227	¥ 54,373	¥ 4,238,548
Balance at December 31, 2019	1,169,453	2,198,661	576,716	174,607	195,033	53,946	4,368,416
Balance at December 31, 2020	**¥1,163,103**	**¥2,187,209**	**¥573,326**	**¥172,392**	**¥195,809**	**¥53,857**	**¥4,345,696**

Cost	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Others	Total
							Thousands of U.S. dollars
Balance at December 31, 2020	**$11,237,711**	**$21,132,458**	**$5,539,386**	**$1,665,622**	**$1,891,870**	**$520,359**	**$41,987,405**

Accumulated depreciation and impairment losses	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Others	Total
							Millions of yen
Balance at January 1, 2019	¥572,693	¥1,634,515	¥463,687	¥6,738	¥6,238	¥39,635	¥2,723,506
Balance at December 31, 2019	601,140	1,678,988	478,826	7,047	6,515	40,732	2,813,247
Balance at December 31, 2020	**632,651**	**1,762,182**	**493,383**	**5,771**	**17,256**	**42,313**	**2,953,555**

Accumulated depreciation and impairment losses	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Others	Total
							Thousands of U.S. dollars
Balance at December 31, 2020	**$6,112,567**	**$17,025,912**	**$4,766,982**	**$55,757**	**$166,728**	**$408,817**	**$28,536,762**

NOTE 15 GOODWILL AND INTANGIBLE ASSETS

(1) Changes during the period

The changes in the carrying amount of “Goodwill” and “Intangible assets” as well as cost, accumulated amortization and accumulated impairment losses are as follows:

Carrying amount	Goodwill	Trademarks	Software	Others (Note 2)	Total
					Millions of yen
Balance at January 1, 2019	¥41,382	¥12,090	¥12,091	¥25,529	¥ 91,092
Acquisition	—	—	—	11,133	11,133
Acquisition due to business combinations	57,633	4,493	22,051	40,418	124,595
Amortization (Note 1)	—	(662)	(7,980)	(5,848)	(14,490)
Sale and retirement	—	—	(33)	(25)	(58)
Impairment losses	—	—	(137)	(33)	(170)
Transfer of accounts	—	—	14,714	(14,714)	—
Others	(669)	204	395	(22)	(93)
Balance at December 31, 2019	¥98,346	¥16,125	¥41,101	¥56,438	¥212,009
Acquisition	**169**	**—**	**—**	**17,267**	**17,436**
Amortization (Note 1)	**—**	**(487)**	**(9,436)**	**(5,887)**	**(15,810)**
Sale and retirement	**—**	**(3)**	**(33)**	**(122)**	**(158)**
Impairment losses	**(1,839)**	**—**	**(215)**	**(50)**	**(2,104)**
Transfer of accounts	**—**	**—**	**10,659**	**(10,659)**	**—**
Others	**970**	**(409)**	**5,937**	**(2,745)**	**3,754**
Balance at December 31, 2020	**¥97,646**	**¥15,226**	**¥48,013**	**¥54,242**	**¥215,127**

(Note 1) Amortization of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
(Note 2) “Software in progress” is included in “Others.”

Carrying amount	Goodwill	Trademarks	Software	Others (Note 2)	Total
					Thousands of U.S. dollars
Balance at December 31, 2019	$ 950,200	$155,796	$ 397,109	$ 545,296	$ 2,048,400
Acquisition	**1,629**	**—**	**—**	**166,839**	**168,467**
Amortization (Note 1)	**—**	**(4,702)**	**(91,166)**	**(56,888)**	**(152,755)**
Sale and retirement	**—**	**(30)**	**(321)**	**(1,177)**	**(1,527)**
Impairment losses	**(17,772)**	**—**	**(2,081)**	**(471)**	**(20,324)**
Transfer of accounts	**—**	**—**	**102,987**	**(102,987)**	**—**
Others	**9,384**	**(3,950)**	**57,361**	**(26,530)**	**36,264**
Balance at December 31, 2020	**$943,440**	**$147,115**	**$463,890**	**$ 524,081**	**$2,078,526**

(Note 1) Amortization of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
(Note 2) “Software in progress” is included in “Others.”

Cost	Goodwill	Trademarks	Software	Others	Total
					Millions of yen
Balance at January 1, 2019	¥41,382	¥12,153	¥27,518	¥42,501	¥123,554
Balance at December 31, 2019	¥98,599	¥16,909	¥67,150	¥79,243	¥261,901
Balance at December 31, 2020	**¥99,776**	**¥16,520**	**¥82,761**	**¥81,580**	**¥280,637**

Cost	Goodwill	Trademarks	Software	Others	Total
					Thousands of U.S. dollars
Balance at December 31, 2020	**$964,020**	**$159,616**	**$799,624**	**$788,211**	**$2,711,470**

Accumulated amortization and impairment losses	Goodwill	Trademarks	Software	Others	Total
					Millions of yen
Balance at January 1, 2019	¥ —	¥ 63	¥15,427	¥16,972	¥32,462
Balance at December 31, 2019	¥ 253	¥ 784	¥26,049	¥22,805	¥49,892
Balance at December 31, 2020	**¥2,130**	**¥1,294**	**¥34,748**	**¥27,338**	**¥65,510**

Accumulated amortization and impairment losses	Goodwill	Trademarks	Software	Others	Total
					Thousands of U.S. dollars
Balance at December 31, 2020	**$20,580**	**$12,501**	**$335,734**	**$264,129**	**$632,944**

(2) Material goodwill and intangible assets

The material goodwill and intangible assets recorded in the consolidated statement of financial position primarily represents the goodwill recognized through the acquisition of WEBFLEET SOLUTIONS B.V. completed during the fiscal year ended December 31, 2019 and the carrying amounts of the goodwill are ¥56,209 million ($543,080 thousand) and ¥55,168 million as of December 31, 2020 and 2019, respectively. In addition, the goodwill recognized by this acquisition was allocated to cash-generating units which were expected to benefit from the synergies and belongs to WEBFLEET SOLUTIONS cash-generating unit and BRIDGESTONE EUROPE cash-generating unit.

NOTE 16 IMPAIRMENT OF NON-FINANCIAL ASSETS

(1) Impairment loss

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

As for impairment losses in the fiscal year ended December 31, 2019 of ¥10,620, including ¥78 million of that recorded as business and plant restructuring expenses, which are mainly on assets for business of which profitability had declined, assets planned to be disposed of or sold, and idle assets not planned to be used in future, the Group reduced the carrying amounts of the assets to their recoverable amounts and recorded in "other expenses" as impairment losses.

In addition, the recoverable amounts of the assets are principally measured at their fair value.

Impairment losses in the fiscal year ended December 31, 2020 of ¥95,376 million ($921,505 thousand), including ¥5,754 million ($55,595 thousand) of that recorded as business and plant restructuring expenses were recorded in "other expenses" as impairment losses.

The components of the impairment losses of ¥95,376 million by item are ¥91,420 million ($883,289 thousand) for property, plant and equipment, ¥2,104 million ($20,324 thousand) for goodwill and intangible assets, and ¥1,852 million ($17,892 thousand) for others. The breakdown by segment (excluding the amount recorded in business and plant restructuring expenses) is as follows:

	Segments						
Cash-generating unit	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total	Other	Consolidated total
							Millions of yen
Russian passenger vehicle tire business	¥ —	¥ —	¥10,068	¥ —	¥10,068	¥—	¥10,068
Indian tire business	—	—	6,598	—	6,598	—	6,598
Chinese truck and bus tire business	—	—	—	19,581	19,581	—	19,581
Vietnamese passenger vehicle tire business	—	—	—	9,196	9,196	—	9,196
Thai small and medium mining and construction vehicle tire business	—	—	—	17,442	17,442	—	17,442
Japanese Anti-vibration rubber business	6,210	—	—	—	6,210	—	6,210
Aircraft tires business	2,517	410	1,520	3,850	8,296	—	8,296
Other	8,602	300	3,220	92	12,214	16	12,231
Total	¥17,329	¥710	¥21,406	¥50,161	¥89,605	¥16	¥89,622

	Segments						
Cash-generating unit	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total	Other	Consolidated total
							Thousands of U.S. dollars
Russian passenger vehicle tire business	$ —	$ —	$ 97,274	$ —	$ 97,274	$ —	$ 97,274
Indian tire business	—	—	63,748	—	63,748	—	63,748
Chinese truck and bus tire business	—	—	—	189,190	189,190	—	189,190
Vietnamese passenger vehicle tire business	—	—	—	88,855	88,855	—	88,855
Thai small and medium mining and construction vehicle tire business	—	—	—	168,526	168,526	—	168,526
Japanese Anti-vibration rubber business	60,002	—	—	—	60,002	—	60,002
Aircraft tires business	24,315	3,960	14,682	37,196	80,152	—	80,152
Other	83,110	2,903	31,114	878	118,005	157	118,163
Total	$167,428	$6,862	$206,818	$484,645	$865,753	$157	$865,910

The major reasons for the impairment losses are as follows:

1) "Europe, Russia, Middle East, India and Africa" segment

The carrying amount of assets for business use in the Russian passenger vehicle tire business was reduced by ¥10,068 million ($97,274 thousand) to the recoverable amount because the intended revenue is no longer expected as a result of changes in the business environment, such as the impacts of COVID-19. The recoverable amount of these assets was measured by value in use, which was calculated by discounting future cash flows at a discount rate of 10.3%.

The carrying amount of assets for business use in the Indian tire business was reduced by ¥6,598 million ($63,748 thousand) to the recoverable amount because the intended revenue is no longer expected as a result of changes in the business environment, such as the impacts of COVID-19. The recoverable amount of these assets was measured by value in use, which was calculated by discounting future cash flows at a discount rate of 13.5%.

The breakdown of these impairment losses is as follows:

Cash-generating unit	Segment	Type of Assets	Amount
			Millions of yen
Russian passenger vehicle tire business	Europe, Russia, Middle East, India and Africa	Buildings and structures	¥ 3,982
		Machinery and equipment	3,489
		Other	2,596
		Subtotal	10,068
Indian tire business		Buildings and structures	1,345
		Machinery and equipment	2,021
		Construction in progress	2,589
		Other	643
		Subtotal	6,598
Total			¥16,666

Cash-generating unit	Segment	Type of Assets	Amount
			Thousands of U.S. dollars
Russian passenger vehicle tire business	Europe, Russia, Middle East, India and Africa	Buildings and structures	$ 38,478
		Machinery and equipment	33,712
		Other	25,085
		Subtotal	97,274
Indian tire business		Buildings and structures	12,996
		Machinery and equipment	19,529
		Construction in progress	25,013
		Other	6,211
		Subtotal	63,748
Total			$161,022

2) "China, Asia-Pacific" segment

The carrying amount of assets for business use in the Chinese truck and bus tire business was reduced by ¥19,581 million ($189,190 thousand) to the recoverable amount because the intended revenue is no longer expected as a result of changes in the business environment, such as the impacts of COVID-19. The recoverable amount of these assets was measured at their fair value after deducting their disposal cost, and is mainly calculated based on the value of a third-party appraisal using the market approach. The fair value hierarchy level is 3.

The carrying amount of idle assets in the Vietnamese passenger vehicle tire business was reduced by ¥9,196 million ($88,855 thousand) to the recoverable amount, because we do not expect these idle assets to be used for business purposes. The recoverable amount of these assets was measured at their fair value after deducting their disposal cost; however, because these assets would be difficult to sell, their fair value after deducting their disposal cost was deemed to be zero. The fair value hierarchy level is 3.

The carrying amount of assets for business use in the Thai small and medium mining and construction vehicle tire business was reduced by ¥17,442 million ($168,526 thousand) to the recoverable amount because the intended revenue is no longer expected as a result of changes in the business environment. The recoverable amount of these assets was measured at their fair value after deducting their disposal cost, and is mainly calculated based on the value of a third-party appraisal determined using the market approach. The fair value hierarchy level is 3.

The breakdown of these impairment loss is as follows:

Cash-generating unit	Segment	Type of Assets	Amount
			Millions of yen
Chinese truck and bus tire business	China, Asia-Pacific	Machinery and equipment	¥17,878
		Other	1,704
		Subtotal	19,581
Vietnamese passenger vehicle tire business		Buildings and structures	5,515
		Construction in progress	3,681
		Subtotal	9,196
Thai small and medium mining and construction vehicle tire business		Machinery and equipment	12,833
		Other	4,610
		Subtotal	17,442
Total			¥46,220

Cash-generating unit	Segment	Type of Assets	Amount
			Thousands of U.S. dollars
Chinese truck and bus tire business	China, Asia-Pacific	Machinery and equipment	$172,730
		Other	16,460
		Subtotal	189,190
Vietnamese passenger vehicle tire business		Buildings and structures	53,285
		Construction in progress	35,570
		Subtotal	88,855
Thai small and medium mining and construction vehicle tire business		Machinery and equipment	123,987
		Other	44,539
		Subtotal	168,526
Total			$446,571

3) "Japan" segment

The carrying amount of assets for business use in the Japanese anti-vibration rubber business was reduced by ¥6,210 million ($60,002 thousand) to the recoverable amount because the intended revenue is no longer expected as a result of changes in the business environment. The recoverable amount of these assets was measured at their fair value after deducting their disposal cost, and is mainly calculated based on the value of a third-party appraisal determined using the market approach. The fair value hierarchy level is 3.

The breakdown of this impairment loss is as follows:

Cash-generating unit	Segment	Type of Assets	Amount
			Millions of yen
Japanese Anti-vibration rubber business	Japan	Buildings and structures	¥1,322
		Machinery and equipment	3,517
		Other	1,371
Total			¥6,210

Cash-generating unit	Segment	Type of Assets	Amount
			Thousands of U.S. dollars
Japanese Anti-vibration rubber business	Japan	Buildings and structures	$ 12,771
		Machinery and equipment	33,981
		Other	13,249
Total			$60,002

4) Aircraft tires business

The carrying amount of assets for business use in the aircraft tire business was reduced by ¥8,296 million ($80,152 thousand) to the recoverable amount because the intended revenue is no longer expected as a result of changes in the business environment, such as the impacts of COVID-19. The recoverable amount of these assets was measured at their fair value after deducting their disposal cost, and is mainly calculated based on the value of a third-party appraisal determined using the market approach. The fair value hierarchy level is 3.

The breakdown of this impairment loss is as follows:

Cash-generating unit	Segments	Type of Assets	Amount
			Millions of yen
Aircraft tires business	Japan	Buildings and structures	¥ 972
		Machinery and equipment	1,249
		Other	296
		Subtotal	2,517
	Americas	Machinery and equipment	135
		Tools, furniture and fixtures	255
		Other	19
		Subtotal	410
	Europe, Russia, Middle East, India and Africa	Machinery and equipment	280
		Tools, furniture and fixtures	721
		Other	518
		Subtotal	1,520
	China, Asia-Pacific	Machinery and equipment	2,357
		Tools, furniture and fixtures	1,102
		Other	391
		Subtotal	3,850
Total			¥8,296

Cash-generating unit	Segments	Type of Assets	Amount
			Thousands of U.S. dollars
Aircraft tires business	Japan	Buildings and structures	$ 9,389
		Machinery and equipment	12,068
		Other	2,859
		Subtotal	24,315
	Americas	Machinery and equipment	1,308
		Tools, furniture and fixtures	2,467
		Other	184
		Subtotal	3,960
	Europe, Russia, Middle East, India and Africa	Machinery and equipment	2,706
		Tools, furniture and fixtures	6,968
		Other	5,008
		Subtotal	14,682
	China, Asia-Pacific	Machinery and equipment	22,770
		Tools, furniture and fixtures	10,648
		Other	3,777
		Subtotal	37,196
Total			$80,152

(2) Impairment test of goodwill

The Group conducts an impairment test on goodwill every year or whenever there is any indication of impairment.

Among goodwill allocated to each cash-generating unit in the fiscal year ended December 31, 2020, the principal goodwill is recognized in WEBFLEET SOLUTIONS cash-generating unit and the impairment test was conducted as follows.

The recoverable amount of goodwill in the impairment test is calculated based on value in use. The value in use reflects past experience and external sources of information and is based on the Group's business plan for the next 3 years (2019: 3 years) as approved by the management. After the three-year plan, the Company discounts the future cash flows to the present value using a discount rate of 8.1% of the cash-generating unit (2019: 8.1%), using the future growth rate reduced from 11.1% in the 4th year (2019: 7.3%) to 2% in the 10th year (2019: 2%) and the same 2% on and after the 11th year as the continuous growth rate considering inflation.

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

In addition, out of the total goodwill related to the acquisition of WEBFLEET SOLUTIONS B.V. of ¥56,209 million ($543,080 thousand) (2019: 55,168 million), the carrying amount allocated to WEBFLEET SOLUTIONS cash-generating unit as of December 31, 2020 is ¥50,311 million ($486,093 thousand) (2019: ¥48,563 million). The group determines that the amount of the goodwill allocated to cash-generating units other than WEBFLEET SOLUTIONS is not material compared to the amount recorded in the consolidated statement of financial position.

(3) Impairment of investments accounted for using the equity method

Impairment loss on investments accounted for using the equity method recognized in the fiscal year ended December 31, 2020 of ¥18,196 million ($175,803 thousand) is mainly relating to the carrying amount of assets of TIREHUB, LLC, which is a jointly controlled entity in the "Americas" segment. The carrying amount was reduced by ¥17,032 million ($164,559 thousand) to the recoverable amount because the intended revenue is no longer expected as a result of changes in the business environment, such as the impacts of COVID-19. The recoverable amount of these assets was measured by value in use, which was calculated by discounting future cash flows at a discount rate of 11.5%. In addition, this impairment loss was recorded in "impairment loss related to shares using the equity method" in the consolidated statement of profit or loss.

NOTE 17 LEASE TRANSACTIONS

Lessee

The Group enters into lease contracts for buildings and structures, land, etc.

(1) Items related to right-of-use assets

The carrying amount, depreciation and additions to "Right-of-use assets" are as follows:

Carrying amount	Buildings and structures	Land	Others	Total
				Millions of yen
As of January 1, 2019	¥243,572	¥44,364	¥34,734	¥322,670
As of December 31, 2019	¥ 230,961	¥39,452	¥ 28,157	¥298,569
As of December 31, 2020	**¥228,987**	**¥36,428**	**¥24,707**	**¥290,122**

Carrying amount	Buildings and structures	Land	Others	Total
				Thousands of U.S. dollars
As of December 31, 2020	**$2,212,431**	**$351,962**	**$238,715**	**$2,803,109**

Depreciation	Buildings and structures	Land	Others	Total
				Millions of yen
Fiscal year ended December 31, 2019	¥44,192	¥ 2,831	¥9,860	¥56,883
Fiscal year ended December 31, 2020	**¥45,180**	**¥2,773**	**¥9,555**	**¥57,508**

Depreciation	Buildings and structures	Land	Others	Total
				Thousands of U.S. dollars
Fiscal year ended December 31, 2020	**$436,525**	**$26,793**	**$92,319**	**$555,637**

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Additions to right-of-use assets	**¥61,811**	¥48,176	**$597,205**

(2) Expenses and cash outflows for leases

The lease expenses are as follows:

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Interest expense on lease liabilities	**¥6,956**	¥6,317	**$ 67,204**
Recognition exemptions: expenses for short-term leases	**1,718**	4,551	**16,596**
Recognition exemptions: expenses for leases of low-value assets	**664**	308	**66,416**
Expense relating to variable lease payments not included in the measurement of lease liabilities	**2,636**	2,991	**225,467**
Gains or losses arising from sale and leaseback transactions (losses)	**7,770**	—	**75,069**

Total cash outflows for leases are as follows:

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Total cash outflow for leases	**¥61,449**	¥62,143	**$593,709**

(3) Maturity analysis for lease liabilities

The details are presented in Note "34. Financial Instruments (4) Liquidity risk management."

NOTE 18 INCOME TAXES

(1) Deferred tax assets and deferred tax liabilities

The breakdown of items giving rise to “Deferred tax assets” and “Deferred tax liabilities” and the changes thereof are as follows:

Fiscal year ended December 31, 2020

	As of January 1, 2020	Recognized in net profit or loss	Recognized in other comprehensive income	Others	As of December 31, 2020
					Millions of yen
Deferred tax assets					
Accrued expenses	¥ 9,473	¥ 3,807	¥ —	¥ (749)	¥ 12,531
Net defined benefit liability	50,961	(5,519)	(3,776)	(1,207)	40,459
Unrealized gains	18,231	(5,900)	—	—	12,331
Unused tax losses carryforward	11,319	(3,254)	—	(529)	7,536
Others	33,318	11,525	1,006	(1,570)	44,279
Total deferred tax assets	123,302	659	(2,770)	(4,055)	117,136
Deferred tax liabilities					
Property, plant and equipment, and intangible assets	62,676	1,067	—	(3,687)	60,056
Financial assets	20,439	—	(4,075)	—	16,364
Reserve for tax purpose reduction entry of non-current assets	15,713	1,549	—	—	17,262
Others	8,006	(4,787)	—	(683)	2,536
Total deferred tax liabilities	106,834	(2,171)	(4,075)	(4,370)	96,218
Net deferred tax assets	¥ 16,468	¥ 2,830	¥ 1,305	¥ 315	¥ 20,918

Fiscal year ended December 31, 2019

	As of January 1, 2019	Recognized in net profit or loss	Recognized in other comprehensive income	Others	As of December 31, 2019
					Millions of yen
Deferred tax assets					
Accrued expenses	¥ 8,080	¥ 1,385	¥ —	¥ 8	¥ 9,473
Net defined benefit liability	52,459	515	(1,641)	(372)	50,961
Unrealized gains	18,847	(616)	—	—	18,231
Unused tax losses carryforward	10,357	1,159	—	(197)	11,319
Others	34,334	2,417	(2,690)	(743)	33,318
Total deferred tax assets	124,077	4,860	(4,331)	(1,304)	123,302
Deferred tax liabilities					
Property, plant and equipment, and intangible assets	50,690	(593)	—	12,579	62,676
Financial assets	36,606	—	(16,167)	—	20,439
Reserve for tax purpose reduction entry of non-current assets	10,159	5,554	—	—	15,713
Others	15,856	(6,703)	(1,008)	(139)	8,006
Total deferred tax liabilities	113,311	(1,742)	(17,175)	12,440	106,834
Net deferred tax assets	¥ 10,766	¥ 6,602	¥ 12,844	¥(13,744)	¥ 16,468

Fiscal year ended December 31, 2020

	As of January 1, 2020	Recognized in net profit or loss	Recognized in other comprehensive income	Others	As of December 31, 2020
					Thousands of U.S. dollars
Deferred tax assets					
Accrued expenses	**$ 91,526**	**$ 36,787**	**$ —**	**$ (7,239)**	**$ 121,073**
Net defined benefit liability	**492,379**	**(53,328)**	**(36,482)**	**(11,658)**	**390,910**
Unrealized gains	**176,148**	**(57,005)**	**—**	**—**	**119,143**
Unused tax losses carryforward	**109,365**	**(31,443)**	**—**	**(5,110)**	**72,811**
Others	**321,905**	**111,357**	**9,718**	**(15,164)**	**427,816**
Total deferred tax assets	**1,191,322**	**6,368**	**(26,764)**	**(39,172)**	**1,131,754**
Deferred tax liabilities					
Property, plant and equipment, and intangible assets	**605,565**	**10,305**	**—**	**(35,623)**	**580,247**
Financial assets	**197,477**	**—**	**(39,368)**	**—**	**158,110**
Reserve for tax purpose reduction entry of non-current assets	**151,817**	**14,970**	**—**	**—**	**166,787**
Others	**77,355**	**(46,251)**	**—**	**(6,601)**	**24,503**
Total deferred tax liabilities	**1,032,214**	**(20,977)**	**(39,368)**	**(42,224)**	**929,646**
Net deferred tax assets	**$ 159,108**	**$ 27,344**	**$ 12,604**	**$ 3,052**	**$ 202,108**

The breakdown of deferred tax assets and liabilities in the consolidated statement of financial position are as follows:

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Deferred tax assets	**¥49,409**	¥60,711	¥57,379	**$477,382**
Deferred tax liabilities	**28,491**	44,243	46,613	**275,274**
Net deferred tax assets	**¥20,918**	¥16,468	¥10,766	**$202,108**

Deferred tax assets belonging to the taxable entities, which recorded loss during the fiscal year ended December 31, 2019 or 2020, out of deferred tax assets as of December 31, 2020, December 31, 2019 and January 1, 2019 (transition date) are ¥31,583 million ($305,152 thousand), ¥2,204 million and ¥1,725 million, respectively. For recognizing these deferred tax assets, the Group considers if deductible temporary differences and a part or all of unused tax losses carryforward can be used for future taxable income. For an assessment of the recoverability of deferred tax assets, the Group considers deferred tax liabilities planned to be reversed and expected future taxable income and tax planning. As for recognized deferred tax assets, the Group determines that tax benefits will be highly likely realized based on the taxable income level in the past and the prediction of future taxable income in the period during which deferred tax assets can be recognized.

The deductible temporary differences and unused tax losses carryforward for which deferred tax assets were not recognized are as follows:

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Deductible temporary differences	**¥117,880**	¥ 28,291	¥ 21,944	**$1,138,939**
Unused tax losses carryforward	**208,785**	122,029	117,344	**2,017,244**
Total	**¥326,665**	¥150,320	¥139,288	**$3,156,183**

The unused tax losses carryforward and unused tax credits carryforward for which deferred tax assets were not recognized will expire as follows:

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Unused tax losses carryforward				
Within 5 years	**¥ 39,579**	¥ 42,233	¥ 43,903	**$ 382,405**
After 5 years	**169,206**	79,796	73,441	**1,634,839**
Total unused tax losses carryforward	**¥208,785**	¥122,029	¥117,344	**$ 2,017,244**
Unused tax credits carryforward				
Within 5 years	**4,407**	255	505	**42,576**
After 5 years	**6,174**	9,938	11,406	**59,651**
Total unused tax credits carryforward	**¥ 10,581**	¥ 10,193	¥ 11,911	**$ 102,227**

Total temporary differences arising from the investments in subsidiaries and associates or interests in joint arrangements, which are not recognized as deferred tax liabilities for the fiscal year ended December 31, 2020 amount to ¥338,229 million ($3,267,915 thousand), ¥474,565 million and ¥462,204 million, as of December 31, 2020, December 31, 2019 and January 1, 2019 (transition date), respectively.

Deferred tax liabilities related to the above temporary differences are not recognized as the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse it in the foreseeable future.

(2) Income tax expense

The breakdown of "Income tax expense" is as follows.

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Current income tax expense	**¥52,792**	¥96,234	**$510,069**
Deferred income tax expense	**(3,796)**	(7,015)	**(36,672)**
Total income tax expense	**¥48,997**	¥89,219	**$473,397**

Income taxes recognized on sale of the financial assets measured at fair value through other comprehensive income are as follows:

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Income tax expense	**¥5,177**	¥18,158	**$50,012**

(3) Reconciliation of effective tax rate

The breakdown of the primary factors contributing to differences between the statutory effective tax rates and the effective income tax rates after adjustments for tax effects is as follows:

The Company is subject to corporation tax, inhabitant tax and business tax. The statutory effective tax rates calculated based on these taxes are 30.6% and 30.6% for the fiscal years ended December 31, 2020 and 2019, respectively. Overseas consolidated subsidiaries, however, are subject to local corporate and other taxes.

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019
		%
Statutory effective tax rate	**30.6**	30.6
(Adjustments)		
Items not categorized as temporary differences	**(9.6)**	1.2
Effects from reassessment of the recoverability of deferred tax assets	**157.5**	1.3
Tax credits for experiment and research expenses of domestic companies	**(12.5)**	(1.4)
Differences in applicable tax rates of consolidated subsidiaries	**1.3**	(3.1)
Tax adjustments for overseas subsidiaries	**(3.6)**	(1.4)
Others	**3.7**	(0.6)
Effective income tax rates after adjustments for tax effect accounting	**167.4**	26.6

NOTE 19 TRADE AND OTHER PAYABLES

The breakdown of "Trade and other payables" is as follows:

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Notes and accounts payable	**¥188,932**	¥202,077	¥233,996	**$1,825,429**
Other payables	**139,410**	161,223	169,818	**1,346,954**
Accrued expenses	**91,798**	89,770	93,359	**886,936**
Total	**¥420,140**	¥453,069	¥497,173	**$4,059,319**

Trade and other payables (excluding accrued expenses) are classified as financial liabilities measured at amortized cost.

NOTE 20 BONDS AND BORROWINGS (INCLUDING OTHER FINANCIAL LIABILITIES)

(1) Breakdown of financial liabilities

The breakdown of "Bonds and borrowings," "Lease liabilities" and "Other financial liabilities" are as follows:

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020	Average interest rate (Note 1)	Repayment deadline
			Millions of yen	Thousands of U.S. dollars	%	
Short-term borrowing	**¥ 185,693**	¥ 131,753	¥ 97,339	**$ 1,794,134**	0.7	—
Current portion of long-term borrowing	**108,285**	3,688	24,244	**1,046,231**	0.3	—
Current portion of bonds	**—**	—	69,973	**—**	—	—
Long-term borrowing	**62,617**	56,162	60,241	**604,999**	2.7	January 2022 – June 2025
Bonds	**349,442**	349,352	149,736	**3,376,253**	0.2	April 2022 – April 2029
Short-term lease liabilities	**53,966**	52,827	52,097	**521,412**	2.2	—
Long-term lease liabilities	**246,187**	250,685	271,179	**2,378,616**	2.1	January 2022 – October 2105
Other	**43,279**	40,565	36,820	**418,154**	—	—
Total	**¥1,049,469**	¥885,033	¥761,629	**$10,139,800**	—	—
Current liabilities	**377,286**	215,897	268,649	**3,645,276**	—	—
Non-current liabilities	**672,183**	669,136	492,979	**6,494,524**	—	—
Total	**¥1,049,469**	¥885,033	¥761,629	**$10,139,800**	—	—

(Note 1) "Average interest rate" represents the weighted average interest rates for the balances at December 31, 2020.
(Note 2) Bonds and borrowings are categorized as financial liabilities measured at amortized cost.

The terms for the different bonds that have been issued are summarized below:

Company name	Issue	Issuance date	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020	Interest rate (%)	Collateral	Maturity date
					Millions of yen	Thousands of U.S. dollars			
Bridgestone Corporation	The 8th unsecured bonds	September 26, 2014	**¥ —**	¥ —	¥ 69,973	**$ —**	0.2	None	September 26, 2019
Bridgestone Corporation	The 9th unsecured bonds	April 21, 2017	**39,979**	39,968	39,952	**386,267**	0.1	None	April 21, 2022
Bridgestone Corporation	The 10th unsecured bonds	April 21, 2017	**49,941**	49,930	49,912	**482,526**	0.2	None	April 19, 2024
Bridgestone Corporation	The 11th unsecured bonds	April 21, 2017	**59,898**	59,887	59,872	**578,725**	0.3	None	April 21, 2027
Bridgestone Corporation	The 12th unsecured bonds	April 19, 2019	**49,935**	49,917	—	**482,463**	0.1	None	April 19, 2024
Bridgestone Corporation	The 13th unsecured bonds	April 19, 2019	**49,906**	49,891	—	**482,188**	0.2	None	April 17, 2026
Bridgestone Corporation	The 14th unsecured bonds	April 19, 2019	**99,783**	99,759	—	**964,083**	0.4	None	April 19, 2029
Total		—	**¥349,442**	¥349,352	¥219,709	**$3,376,253**	—	—	—

(2) Assets pledged as collateral for liabilities

Assets pledged as collateral for liabilities are as follows:

Assets pledged as collateral for liabilities	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents	**¥186**	¥ —	¥ —	**$1,798**
Property, plant and equipment	**491**	494	496	**4,748**
Total	**¥678**	¥494	¥496	**$6,546**

NOTE 21 PROVISIONS

"Provisions" is recorded as current liabilities and non-current liabilities in the consolidated statement of financial position.

The breakdown of "Provisions" and the changes are as follows:

Fiscal year ended December 31, 2020

	Provision for compensation for industrial accidents	Provision for loss on litigation	Provision for business and plant restructuring expenses	Others	Total
					Millions of yen
Balance at January 1, 2020	¥15,109	¥12,935	¥ 390	¥ 29,846	¥ 58,280
Increase	6,419	12,893	28,917	25,035	73,264
Decrease (used)	(8,346)	(5,999)	(40)	(19,397)	(33,781)
Decrease (reversed)	(627)	(2,395)	—	(4,958)	(7,980)
Exchange differences on translation of foreign operations	(816)	(1,295)	1,129	(513)	(1,495)
Others	—	—	—	248	248
Balance at December 31, 2020	¥11,739	¥16,139	¥30,396	¥ 30,261	¥ 88,536

Fiscal year ended December 31, 2019

	Provision for compensation for industrial accidents	Provision for loss on litigation	Provision for business and plant restructuring expenses	Others	Total
					Millions of yen
Balance at January 1, 2019	¥14,291	¥12,536	¥ 4,335	¥ 26,130	¥ 57,292
Increase	7,231	5,824	—	18,299	31,354
Decrease (used)	(4,879)	(3,598)	(1,497)	(10,792)	(20,766)
Decrease (reversed)	(1,345)	(1,348)	(2,447)	(4,282)	(9,421)
Exchange differences on translation of foreign operations	(189)	(479)	—	404	(264)
Others	—	—	—	86	86
Balance at December 31, 2019	¥15,109	¥12,935	¥ 390	¥ 29,846	¥ 58,280

Fiscal year ended December 31, 2020

	Provision for compensation for industrial accidents	Provision for loss on litigation	Provision for business and plant restructuring expenses	Others	Total
					Thousands of U.S. dollars
Balance at January 1, 2020	$145,981	$124,976	$ 3,768	$ 288,364	$ 563,089
Increase	62,017	124,574	279,393	241,881	707,865
Decrease (used)	(80,638)	(57,957)	(384)	(187,408)	(326,387)
Decrease (reversed)	(6,054)	(23,143)	—	(47,907)	(77,105)
Exchange differences on translation of foreign operations	(7,883)	(12,513)	10,908	(4,953)	(14,441)
Others	—	—	—	2,395	2,395
Balance at December 31, 2020	$113,423	$155,937	$293,685	$ 292,373	$ 855,418

(1) Provision for compensation for industrial accidents

The Group estimates and records an amount based on past and current experience to prepare for the payment of the medical expenses, the absence from work compensation, etc. incurred as a result of industrial accidents. The outflow of the economic benefits is supposed to occur mainly within one year from the end of the fiscal year 2020.

(2) Provision for loss on litigation

To prepare for the expenditures of litigation-related expense, the Group estimates and records an amount of compensation for damages, settlement package, etc. that is currently expected to be incurred in the future. The outflow of the economic benefits is supposed to occur mainly within one year from the end of the fiscal year 2020.

(3) Provision for business and plant restructuring expenses

Due to the commencement of discussions for the closure of its overseas tire plants, the Group estimates and records an amount that is currently expected to be incurred in the future to prepare for the related expenditures. The outflow of the economic benefits is supposed to occur mainly within one year from the end of the fiscal year 2020.

(4) Others

"Others" includes asset retirement obligations, provision for environmental expenses and provision for product warranties.

NOTE 22 OTHER CURRENT LIABILITIES

The breakdown of "Other current liabilities" is as follows:

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Bonuses to officers and employees	**¥ 36,329**	¥ 34,674	¥ 33,883	**$ 351,000**
Refund liabilities	**35,682**	33,177	28,141	**344,752**
Provision for unused paid absences	**22,266**	21,945	20,925	**215,129**
Contract liabilities	**13,976**	16,517	15,788	**135,037**
Consumption tax payables	**12,461**	8,445	8,538	**120,400**
Others	**23,812**	24,221	15,914	**230,066**
Total	**¥144,526**	¥138,980	¥123,190	**$1,396,385**

The details of contract liabilities are presented in Note "26. Revenue."

NOTE 23 EMPLOYEE BENEFITS

(1) Post-employment benefits

The Group has adopted both funded and unfunded defined benefit plans and defined contribution plans as retirement benefits for its employees. The funded defined benefit plans are managed by pension funds that are legally segregated from the Group. The board of directors of pension funds and pension trustees are required by law to act in the best interests of the participants and are responsible for managing the plan assets in accordance with the prescribed policies.

The Group's defined benefit plans are exposed to the following risks:

(i) Investment risk

The present value of the defined benefit obligations is calculated based on a discount rate that is determined by reference to market yields on high quality corporate bonds at the fiscal year-end. In the event that the investment yields for the plan assets fall below the discount rate, there is a risk of reduction in equity due to a deterioration of the funded status.

(ii) Interest rate risk

In the event that the discount rate is reduced due to a decline in market yields on high quality corporate bonds, the present value of the defined benefit obligations increases, resulting in a risk of reduction in equity because of the worsened funded status.

1) Reconciliation of defined benefit obligations

The changes in the defined benefit obligations are as follows:

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Present value of defined benefit obligations at beginning of period (Note)	**¥878,484**	¥819,430	**$8,487,769**
Service cost	**15,433**	14,550	**149,114**
Interest expense	**16,882**	23,324	**163,111**
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	**(2,852)**	7,244	**(27,551)**
Actuarial gains and losses arising from changes in financial assumptions	**50,745**	66,968	**490,287**
Actuarial gains and losses arising from experience adjustments	**11,014**	1,905	**106,412**
Past service cost and gains and losses on settlement	**(8,276)**	(439)	**(79,963)**
Benefits paid	**(56,872)**	(52,809)	**(549,493)**
Exchange differences on translation of foreign operations	**(32,393)**	(5,529)	**(312,971)**
Others	**(1,363)**	3,840	**(13,173)**
Present value of defined benefit obligations at end of period (Note)	**¥870,802**	¥878,484	**$8,413,542**

(Note) The weighted-average durations of the defined benefit obligations of the Group are 12.6 years, 12.5 years and 11.9 years, as of December 31, 2020, December 31, 2019 and January 1, 2019 (transition date), respectively.

2) Reconciliation of plan assets

The changes in the plan assets are as follows:

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Fair value of the plan assets at beginning of period	**¥678,705**	¥616,920	**$6,557,533**
Interest revenue	**12,832**	17,779	**123,976**
Remeasurements			
Return on plan assets	**69,891**	80,961	**675,273**
Contribution from employers (Note 1) (Note 2)	**18,281**	13,431	**176,624**
Benefits paid	**(53,381)**	(48,751)	**(515,762)**
Exchange differences on translation of foreign operations	**(28,079)**	(4,511)	**(271,291)**
Others	**2,633**	2,876	**25,457**
Fair value of the plan assets at end of period	**¥700,882**	¥678,705	**$6,771,809**

(Note 1) The Group and its pension funds, in accordance with the laws and regulations, periodically conduct financial verifications and recalculate the amount of contributions for the purpose of appropriating funds for future benefit accruals and maintaining a balanced pension fund in case of a deficit.

(Note 2) The Group plans to make contribution of ¥20,290 million in the fiscal year ending December 31, 2021.

3) Reconciliation of defined benefit obligations and plan assets

The relationship between the defined benefit obligations, the plan assets and the retirement benefit liabilities (assets) on the consolidated statement of financial position are as follows:

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Present value of the funded defined benefit obligations	**¥ 793,445**	¥ 802,525	¥ 743,837	**$ 7,666,136**
Fair value of the plan assets	**(700,882)**	(678,705)	(616,920)	**(6,771,809)**
Subtotal	**92,563**	123,820	126,917	**894,328**
Present value of the unfunded defined benefit obligations	**77,357**	75,959	75,593	**747,412**
Effect of asset ceiling	**367**	326	295	**3,546**
Retirement benefit liabilities (assets)	**¥ 170,287**	¥ 200,105	¥ 202,805	**$ 1,645,285**
Amounts on the consolidated statement of financial position				
Retirement benefit liabilities	**191,679**	211,619	207,928	**1,851,971**
Retirement benefit assets	**(21,392)**	(11,514)	(5,123)	**(206,686)**
Retirement benefit liabilities (assets) on the consolidated statement of financial position	**¥ 170,287**	¥ 200,105	¥ 202,805	**$ 1,645,285**

4) Major components of plan assets

The major components of plan assets by category are as follows:

	As of December 31, 2020			As of December 31, 2019			As of January 1, 2019 (Transition date)			As of December 31, 2020		
	Quoted price in active markets			Quoted price in active markets			Quoted price in active markets			Quoted price in active markets		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total	Quoted	Unquoted	Total	Quoted	Unquoted	Total
									Millions of yen			Thousands of U.S. dollars
Debt instruments	**¥364,854**	**¥ 5,532**	**¥370,386**	¥371,189	¥ 4,484	¥375,673	¥291,664	¥ 4,060	¥295,724	**$3,525,155**	**$ 53,444**	**$3,578,599**
Japan	**10,085**	**2,083**	**12,168**	11,061	1,452	12,513	9,481	1,446	10,927	**97,439**	**20,122**	**117,561**
Overseas	**354,769**	**3,449**	**358,218**	360,128	3,032	363,160	282,183	2,614	284,797	**3,427,716**	**33,322**	**3,461,038**
Equity instruments	**32,045**	**19,283**	**51,328**	37,212	23,395	60,607	32,859	19,713	52,572	**309,607**	**186,313**	**495,920**
Japan	**1,466**	**—**	**1,466**	8,580	2,853	11,433	6,902	2,318	9,220	**14,161**	**—**	**14,161**
Overseas	**30,579**	**19,283**	**49,862**	28,632	20,542	49,174	25,957	17,395	43,352	**295,445**	**186,313**	**481,758**
Cash and cash equivalents	**26,387**	**29,690**	**56,077**	11,690	23,861	35,551	6,984	19,227	26,211	**254,950**	**286,863**	**541,813**
Alternative investments (Note)	**52,404**	**116,816**	**169,220**	43,291	110,806	154,097	44,192	145,790	189,982	**506,320**	**1,128,660**	**1,634,979**
Other	**867**	**53,004**	**53,871**	987	51,790	52,777	181	52,250	52,431	**8,379**	**512,119**	**520,498**
Total	**¥476,557**	**¥224,325**	**¥700,882**	¥464,369	¥214,336	¥678,705	¥375,880	¥241,040	¥616,920	**$4,604,411**	**$2,167,398**	**$6,771,809**

(Note) Alternative investments include investments such as trusteed pension assets, real estate fund, and hedge fund.

The investment management policy of the Group for the major plans are as follows:

(Japan)

The Company's policy aims for managing plan assets to secure stable returns over the medium to long term so that it can ensure payment of defined benefit obligations in the future, in accordance with internal regulations. More specifically, the Group sets a target return and asset allocation that is within the range of tolerable risk defined annually, and it manages its managing assets by keeping such allocation. When assessing the asset allocation, the Group examines whether to introduce the type of plan assets that is closely linked to changes in defined benefit obligations.

Furthermore, in the event of an unexpected event in the market environment, the Group is able to temporarily adjust the weighting of risk assets in accordance with the internal regulations.

(Overseas)

The policies for managing plan assets of the foreign subsidiaries are established by pension trustees and the managements of the foreign subsidiaries are in accordance with the laws of each country. The objective of such policies is to secure investment income that exceeds the changes in the value of liabilities while managing the risks arising from defined benefit obligations.

The core part of the plan assets is invested in bonds linked to the defined benefit obligations. The remaining part of the plan assets is invested mainly in the stocks to earn long-term income.

5) Reconciliation of the effect of the asset ceiling

The changes in the effect of the asset ceiling are as follows:

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Effect of asset ceiling at beginning of period	**¥326**	¥295	**$3,151**
Remeasurements			
Change in the effect of asset ceiling	**45**	27	**437**
Exchange differences on translation of foreign operations	**(4)**	4	**(42)**
Effect of asset ceiling at end of period	**¥367**	¥326	**$3,546**

6) Items related to actuarial assumptions

Significant actuarial assumptions as of December 31, 2020, December 31, 2019 and January 1, 2019 (transition date) are as follows:

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)
			%
Discount rate	**1.8**	2.4	3.2

(Note) Valuation of the defined benefit obligations includes a judgment of future uncertain events. Sensitivity of the defined benefit obligation to changes in the major base rate as at the end of the fiscal year is as follows: Although the sensitivity assumes that all the other variables remain constant, practically they do not always change independently. Negative figures represent a decrease in the defined benefit obligations and positive figures an increase in them.

	Changes in base rate	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
				Millions of yen	Thousands of U.S. dollars
Discount rate	0.5% increase	**¥(62,657)**	¥(62,307)	¥(54,131)	**$(605,385)**
	0.5% decrease	**69,074**	68,962	59,633	**667,379**

7) Defined contribution plan

The amounts of contributions paid to the defined contribution plan are ¥14,312 million ($138,284 thousand) and ¥16,119 million for the fiscal years ended December 31, 2020 and 2019, respectively.

(2) Employee benefit expenses

Employee benefit expenses that are included in "Cost of sales," "Selling, general and administrative expenses," "Other expenses" and "Finance costs" in the consolidated statement of profit or loss are as follows:

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Employee benefit expenses	**¥11,207**	¥19,656	**$108,276**

NOTE 24 EQUITY AND OTHER COMPONENTS OF EQUITY

(1) Common stock and capital surplus

The Companies Act provides that at least half of the paid-in capital shall be appropriated as common stock, and the remaining amount may be appropriated as legal capital surplus within capital surplus. The Companies Act also provides that legal capital surplus may be appropriated as common stock pursuant to a resolution at the shareholders' meeting.

1) Number of shares authorized

The numbers of authorized shares are 1,450,000,000 shares, 1,450,000,000 shares and 1,450,000,000 shares as of January 1, 2019 (transition date), December 31, 2019 and December 31, 2020, respectively.

2) Number of shares issued and fully paid

The changes in the number of shares issued and the balances of common stock and capital surplus are as follows:

	Number of issued shares of ordinary shares	Common stock	Capital surplus
	Shares		Millions of yen
As of January 1, 2019 (Transition date)	761,536,421	¥126,354	¥121,998
Increase (decrease)	—	¥ —	¥ —
As of December 31, 2019	761,536,421	¥126,354	¥121,998
Increase (decrease) (Note 2)	(47,838,200)	¥ —	¥ 118
As of December 31, 2020	713,698,221	¥126,354	¥122,116

	Common stock	Capital surplus
		Thousands of U.S. dollars
As of December 31, 2019	$1,220,812	$1,178,724
Increase (decrease) (Note 2)	—	1,142
As of December 31, 2020	$1,220,812	$1,179,867

(Note 1) The shares issued by the Company are ordinary shares with no par value and have no restrictions on any rights.
(Note 2) The decrease in the number of issued shares during the fiscal year ended December 31, 2020 is due to retirement of treasury stock.

(2) Treasury stock

The changes in the number of shares and balance of treasury stock are as follows:

	Number of shares	Amount
	Shares	Millions of yen
As of January 1, 2019 (Transition date)	9,726,528	¥ 32,648
Increase (decrease) (Note 2)	47,754,726	199,682
As of December 31, 2019	57,481,254	¥ 232,330
Increase (decrease) (Note 2)	(47,914,746)	(193,674)
As of December 31, 2020	9,566,508	¥ 38,657

	Amount
	Thousands of U.S. dollars
As of December 31, 2019	$ 2,244,736
Increase (decrease) (Note 2)	(1,871,243)
As of December 31, 2020	$ 373,493

(Note 1) The Company has adopted the stock option plan and appropriated shares of treasury stock for the delivery of shares upon exercise of these options. The terms of the contract and the amounts, etc. are presented in Note "33. Share-based Payment."
(Note 2) The number of treasury stock acquired based on the resolution of the Board of Directors for the fiscal year ended December 31, 2019 was 47,838,200 shares and the total acquisition amount was ¥200,000 million, while the number of shares retired in the fiscal year ended December 31, 2020 was 47,838,200 shares and the total retirement amount was ¥193,364 million ($1,868,250 thousand). The increases by purchase of shares less than one unit were 916 shares and 842 shares, and the decreases due to the exercise of stock options etc. were 84,390 shares and 77,388 shares for the fiscal years ended December 31, 2019 and 2020, respectively.

(3) Other components of equity

1) Stock acquisition rights

The Company has adopted the stock option plan and issued stock acquisition rights in accordance with the Companies Act. The terms of the contract and the amounts, etc. are presented in Note "33. Share-based Payment."

2) Exchange differences on translation of foreign operations

The exchange differences on translation of foreign operations occur when the financial statements of the foreign operations prepared using foreign currencies are consolidated.

3) Effective portion of change in fair value of cash flow hedges

The Company hedges the risk of variability in future cash flows through hedges, and this is the portion of the changes in fair value of the derivative instruments designated as cash flow hedges, which are deemed to be effective.

4) Net change in fair value of financial assets measured through other comprehensive income

This is the valuation difference of the fair values of financial assets measured through other comprehensive income.

5) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans result actuarial gains and losses and arise from the present value of defined benefit obligations, return on plan assets (except for amounts included in net interest), and changes in the effect of the asset ceiling (except for amounts included in net interest). They are recognized in other comprehensive income when they arise, and reclassified from other components of equity to retained earnings immediately.

(4) Retained earnings

The Companies Act provides that an amount equal to 10% of the dividends paid from surplus shall be transferred to legal capital surplus and legal retained earnings until the aggregate amount of legal capital surplus and legal retained earnings equals 25% of the nominal value of common stock. The amount accumulated in legal retained earnings may be used to offset deficit. Furthermore, such legal retained earnings may be reversed pursuant to a resolution at the shareholders' meeting.

NOTE 25 DIVIDENDS

(1) The amount of dividends paid

Fiscal year ended December 31, 2020

	Classes of shares	Total amount of dividends	Dividend per share	Record date	Effective date
(Resolution)		Millions of yen	Yen		
Annual Shareholders' Meeting held on March 24, 2020	Ordinary shares	¥56,325	¥80	December 31, 2019	March 25, 2020
Board Meeting held on August 7, 2020	Ordinary shares	35,206	50	June 30, 2020	September 1, 2020

Fiscal year ended December 31, 2019

	Classes of shares	Total amount of dividends	Dividend per share	Record date	Effective date
(Resolution)		Millions of yen	Yen		
Annual Shareholders' Meeting held on March 22, 2019	Ordinary shares	¥60,145	¥80	December 31, 2018	March 25, 2019
Board Meeting held on August 9, 2019	Ordinary shares	57,556	80	June 30, 2019	September 2, 2019

Fiscal year ended December 31, 2020

	Classes of shares	Total amount of dividends	Dividend per share	Record date	Effective date
(Resolution)		Thousands of U.S. dollars	U.S. dollars		
Annual Shareholders' Meeting held on March 24, 2020	Ordinary shares	$544,200	$0.77	December 31, 2019	March 25, 2020
Board Meeting held on August 7, 2020	Ordinary shares	340,154	0.48	June 30, 2020	September 1, 2020

(2) Dividends that will be effective in the following fiscal year of the record date

Fiscal year ended December 31, 2020

	Classes of shares	Total amount of dividends	Dividend per share	Record date	Effective date
(Resolution)		Millions of yen	Yen		
Annual Shareholders' Meeting held on March 26, 2021	Ordinary shares	¥42,248	¥60	December 31, 2020	March 29, 2021

Fiscal year ended December 31, 2019

	Classes of shares	Total amount of dividends	Dividend per share	Record date	Effective date
(Resolution)		Millions of yen	Yen		
Annual Shareholders' Meeting held on March 24, 2020	Ordinary shares	¥56,325	¥80	December 31, 2019	March 25, 2020

Fiscal year ended December 31, 2020

	Classes of shares	Total amount of dividends	Dividend per share	Record date	Effective date
(Resolution)		Thousands of U.S. dollars	U.S. dollars		
Annual Shareholders' Meeting held on March 26, 2021	Ordinary shares	$408,194	$0.58	December 31, 2020	March 29, 2021

NOTE 26 REVENUE

(1) Disaggregation of revenue

The breakdown of revenue is as follows:

Fiscal year ended December 31, 2020

	Reportable segments							
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total	Others	Corporate or elimination	Consolidated total
								Millions of yen
Tires	**¥423,217**	**¥1,154,105**	**¥553,495**	**¥342,870**	**¥2,473,687**	**¥15,278**	**¥32**	**¥2,488,997**
Others (Note 1)	**184,887**	**248,042**	**3,348**	**2,794**	**439,070**	**66,457**	**—**	**505,527**
Total external revenue	**¥608,103**	**¥1,402,147**	**¥556,843**	**¥345,664**	**¥2,912,757**	**¥81,735**	**¥32**	**¥2,994,524**
Revenue recognized from contracts with customers	**607,443**	**1,395,051**	**544,203**	**340,542**	**2,887,239**	**81,735**	**32**	**2,969,006**
Revenue recognized from other sources (Note 2)	**660**	**7,096**	**12,640**	**5,122**	**25,518**	**—**	**—**	**25,518**

(Note 1) "Others" includes businesses such as Chemical and Industrial Products, BSAM Diversified Products, sporting goods and bicycles that the Company operates in.
(Note 2) Revenue recognized from other sources includes lease income based on IFRS 16.

Fiscal year ended December 31, 2019

	Reportable segments							
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total	Others	Corporate or elimination	Consolidated total
								Millions of yen
Tires	¥493,873	¥1,394,453	¥626,215	¥398,987	¥2,913,528	¥ 28,442	¥41	¥2,942,010
Others (Note 1)	224,613	258,392	4,410	3,724	491,139	74,094	—	565,233
Total external revenue	¥718,485	¥1,652,845	¥630,625	¥ 402,711	¥3,404,667	¥102,536	¥41	¥3,507,243
Revenue recognized from contracts with customers	718,485	1,641,932	612,650	393,927	3,366,994	102,536	41	3,469,571
Revenue recognized from other sources (Note 2)	—	10,913	17,975	8,785	37,672	—	—	37,672

(Note 1) "Others" includes businesses such as Chemical and Industrial Products, BSAM Diversified Products, sporting goods and bicycles that the Company operates in.
(Note 2) Revenue recognized from other sources includes lease income based on IFRS 16.

Fiscal year ended December 31, 2020

	Reportable segments							
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total	Others	Corporate or elimination	Consolidated total
								Thousands of U.S. dollars
Tires	**$4,089,049**	**$11,150,772**	**$5,347,779**	**$3,312,754**	**$23,900,355**	**$147,618**	**$305**	**$24,048,278**
Others (Note 1)	**1,786,346**	**2,396,537**	**32,349**	**26,994**	**4,242,226**	**642,096**	**—**	**4,884,322**
Total external revenue	**$5,875,396**	**$13,547,309**	**$5,380,128**	**$3,339,747**	**$28,142,581**	**$789,714**	**$305**	**$28,932,599**
Revenue recognized from contracts with customers	**5,869,019**	**13,478,752**	**5,258,000**	**3,290,258**	**27,896,029**	**789,714**	**305**	**28,686,048**
Revenue recognized from other sources (Note 2)	**6,377**	**68,557**	**122,128**	**49,489**	**246,551**	**—**	**—**	**246,551**

(Note 1) "Others" includes businesses such as Chemical and Industrial Products, BSAM Diversified Products, sporting goods and bicycles that the Company operates in.
(Note 2) Revenue recognized from other sources includes lease income based on IFRS 16.

(2) Contract balances

Contract balances of the Group consist of receivables, contract assets and contract liabilities arising from contracts with customers. In the consolidated statement of financial position, receivables arising from contracts with customers are presented as "Trade and other receivables," while the contract liabilities are as follows:

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Contract liabilities	**¥39,277**	¥43,032	¥41,548	**$379,485**

Total beginning balances of the contract liabilities for the fiscal years ended December 31, 2019 and 2020 are recognized as revenue in each fiscal year. The amount of revenue recognized from performance obligations satisfied in the previous periods is not material for the fiscal year ended December 31, 2020.

The contract liabilities are presented as "Other current liabilities" and "Other non-current liabilities" in the consolidated statement of financial position.

Contract liabilities primarily relate to advances received from customers.

(3) Transaction price allocated to the remaining performance obligations

The amount of revenue related to the unsatisfied performance obligations (or partially unsatisfied) that is expected to be recognized in the future at the end of the fiscal year ended December 31, 2020 is as follows:

	As of December 31, 2020	As of December 31, 2020
	Millions of yen	Thousands of U.S. dollars
Within one year	**¥24,513**	**$236,842**
Over one year and within five years	**32,792**	**316,829**

As the Group has applied the practical expedient provided in paragraph C5(d) of IFRS 15, it does not disclose the amount of the transaction price allocated to the remaining performance obligations and an expectation of when the entity recognizes that amount for the fiscal year ended December 31, 2019.

As the Group has also applied the practical expedient provided in paragraph 121 of IFRS 15, it does not disclose information about the remaining performance obligation that has an original expected duration of one year or less.

NOTE 27 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Freight	**¥155,546**	¥182,756	**$1,502,856**
Advertising and sales promotional expenses	**97,442**	115,168	**941,467**
Employee benefit expenses	**264,847**	279,158	**2,558,912**
Depreciation and amortization	**89,906**	89,534	**868,656**
Research and development expenses (Note)	**95,205**	106,202	**919,859**
Others	**204,254**	225,543	**1,973,466**
Total	**¥907,200**	¥998,360	**$8,765,217**

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

NOTE 28 OTHER INCOME AND OTHER EXPENSES

The breakdown of "Other income" and "Other expenses" are as follows:

(1) Other income

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Gain on sale of fixed assets	**(Note 2) ¥24,192**	(Note 1) ¥30,418	**(Note 2) $233,744**
Settlement package and compensation	**804**	5,738	**7,764**
Others	**7,023**	11,450	**67,856**
Total	**¥32,019**	¥47,606	**$309,364**

(Note 1) Mainly relates to gains on the sale of land.
(Note 2) Mainly relates to gains on the sale of warehouses.

(2) Other expenses

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Impairment losses (Note 1)	**¥ 89,622**	¥10,542	**$ 865,910**
Business and plant restructuring expenses (Note 2)	**42,821**	2,635	**413,727**
Loss on retirement of fixed assets	**6,905**	5,718	**66,717**
Others	**9,329**	5,704	**90,133**
Total	**¥148,676**	¥24,599	**$1,436,487**

(Note 1) The breakdown of "Impairment losses" is presented in Note "16. Impairment of non-financial assets."
(Note 2) The breakdown of "Business and plant restructuring expenses" is presented in Note "6. Operating Segments."

NOTE 29 FINANCE INCOME AND FINANCE COSTS

The breakdown of "Finance income" and "Finance costs" are as follows:

(1) Finance income

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Interest income (Note 1)	**¥4,958**	¥10,269	**$47,908**
Dividend income (Note 1)	**2,640**	6,357	**25,506**
Others	**832**	1,122	**8,043**
Total	**¥8,431**	¥17,748	**$81,457**

(2) Finance costs

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Interest expenses (Note 1)	**¥13,426**	¥16,020	**$ 129,721**
Net interest of defined benefit plans (Note 2)	**3,742**	5,216	**36,157**
Foreign exchange loss	**3,188**	3,772	**30,804**
Others	**3,298**	3,315	**31,860**
Total	**¥23,654**	¥28,324	**$228,542**

(Note 1) "Interest income" and "Interest expenses" arise from financial assets and financial liabilities measured at amortized cost respectively. In addition, "Dividend income" arises from financial assets measured at fair value through other comprehensive income.
(Note 2) The details of net interest of defined benefit plans are presented in Note "23. Employee Benefits."

NOTE 30 OTHER COMPREHENSIVE INCOME

The analysis of "Other comprehensive income" by item in terms of the amount that occurred during each fiscal year, the amount reclassified to profit or loss and the impact of tax effects are as follows:

Fiscal year ended December 31, 2020

	Amount that occurred during the period	Reclassification adjustment	Before tax effect	Tax effect	After tax effect
					Millions of yen
Items that will not be reclassified to profit or loss					
Net change in fair value of financial assets measured through other comprehensive income	**¥ 2,478**	**¥ —**	**¥ 2,478**	**¥ (770)**	**¥ 1,708**
Remeasurements of defined benefit plans	**9,254**	**—**	**9,254**	**(3,776)**	**5,478**
Share of other comprehensive income of investments accounted for using the equity method	**(140)**	**—**	**(140)**	**—**	**(140)**
Total of items that will not be reclassified to profit or loss	**11,592**	**—**	**11,592**	**(4,546)**	**7,046**
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	**(94,748)**	**—**	**(94,748)**	**—**	**(94,748)**
Effective portion of change in fair value of cash flow hedges	**(36)**	**159**	**124**	**(45)**	**79**
Share of other comprehensive income of investments accounted for using the equity method	**(1,713)**	**(34)**	**(1,747)**	**—**	**(1,747)**
Total of items that may be reclassified to profit or loss	**(96,496)**	**125**	**(96,371)**	**(45)**	**(96,415)**
Total	**¥(84,904)**	**¥125**	**¥(84,779)**	**¥(4,590)**	**¥(89,369)**

Fiscal year ended December 31, 2019

	Amount that occurred during the period	Reclassification adjustment	Before tax effect	Tax effect	After tax effect
					Millions of yen
Items that will not be reclassified to profit or loss					
Net change in fair value of financial assets measured through other comprehensive income	¥ 8,486	¥ —	¥ 8,486	¥(2,365)	¥ 6,121
Remeasurements of defined benefit plans	4,389	—	4,389	(1,641)	2,749
Share of other comprehensive income of investments accounted for using the equity method	(6)	—	(6)	—	(6)
Total of items that will not be reclassified to profit or loss	12,869	—	12,869	(4,005)	8,864
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	(16,191)	—	(16,191)	—	(16,191)
Effective portion of change in fair value of cash flow hedges	367	(1,627)	(1,260)	396	(864)
Share of other comprehensive income of investments accounted for using the equity method	(1,958)	(147)	(2,105)	—	(2,105)
Total of items that may be reclassified to profit or loss	(17,782)	(1,774)	(19,555)	396	(19,159)
Total	¥ (4,913)	¥(1,774)	¥ (6,686)	¥(3,609)	¥(10,295)

Fiscal year ended December 31, 2020

	Amount that occurred during the period	Reclassification adjustment	Before tax effect	Tax effect	After tax effect
					Thousands of U.S. dollars
Items that will not be reclassified to profit or loss					
Net change in fair value of financial assets measured through other comprehensive income	$ 23,941	$ —	$ 23,941	$ (7,437)	$ 16,504
Remeasurements of defined benefit plans	89,409	—	89,409	(36,482)	52,927
Share of other comprehensive income of investments accounted for using the equity method	(1,349)	—	(1,349)	—	(1,349)
Total of items that will not be reclassified to profit or loss	112,001	—	112,001	(43,919)	68,082
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	(915,436)	—	(915,436)	—	(915,436)
Effective portion of change in fair value of cash flow hedges	(344)	1,537	1,193	(430)	763
Share of other comprehensive income of investments accounted for using the equity method	(16,550)	(326)	(16,876)	—	(16,876)
Total of items that may be reclassified to profit or loss	(932,329)	1,211	(931,119)	(430)	(931,549)
Total	$(820,328)	$1,211	$ (819,118)	$(44,349)	$(863,467)

NOTE 31 EARNINGS PER SHARE

(1) Basic earnings (loss) per share

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

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019
Profit (loss) attributable to owners of parent (Millions of yen)	(23,301)	240,111
Profit not attributable to ordinary shareholders of parent (Millions of yen)	—	—
Profit (loss) used for calculating basic earnings (loss) per share (Millions of yen)	(23,301)	240,111
Weighted-average number of shares of ordinary shares (Thousands of shares)	704,108	722,557
Basic earnings (loss) per share (Yen)	(33.09)	332.31

	Fiscal year ended December 31, 2020
Profit (loss) attributable to owners of parent (Thousands of U.S. dollars)	(225,134)
Profit not attributable to ordinary shareholders of parent (Thousands of U.S. dollars)	—
Profit (loss) used for calculating basic earnings (loss) per share (Thousands of U.S. dollars)	(225,134)
Basic earnings (loss) per share (U.S. dollars)	(0.32)

(2) Diluted earnings (loss) per share

Diluted earnings (loss) per share and its calculation basis are as follows:

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019
Profit (loss) used for calculating basic earnings (loss) per share (Millions of yen)	(23,301)	240,111
Adjustment to profit (Millions of yen)	—	—
Profit (loss) used to calculate diluted earnings (loss) per share (Millions of yen)	(23,301)	240,111
Weighted-average number of shares of ordinary shares (Thousands of shares)	704,108	722,557
Increase in ordinary shares		
Increase from stock options (Thousands of shares)	—	1,194
Weighted-average number of shares of ordinary shares after dilution (Thousands of shares)	704,108	723,751
Diluted earnings (loss) per share (Yen)	(33.09)	331.76

	Fiscal year ended December 31, 2020
Profit (loss) used for calculating basic earnings (loss) per share (Thousands of U.S. dollars)	**(225,134)**
Adjustment to profit (Thousands of U.S. dollars)	**—**
Profit (loss) used to calculate diluted earnings (loss) per share (Thousands of U.S. dollars)	**(225,134)**
Diluted earnings (loss) per share (U.S. dollars)	**(0.32)**

(Note) In the fiscal year ended December 31, 2020, because the 1,084 thousand shares in stock options have a reverse-dilution effect, they have not been included in the calculation of diluted loss per share.

NOTE 32 CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

The changes in liabilities arising from financing activities are as follows:

Fiscal year ended December 31, 2020

			Changes without cash flows			
	As of January 1, 2020	Changes with cash flows	Acquisition	Exchange differences on translation of foreign operations	Others	As of December 31, 2020
						Millions of yen
Long-term debt	**¥ 59,850**	**¥113,262**	**¥ —**	**¥ (2,210)**	**¥ —**	**¥ 170,902**
Short-term debt	**131,753**	**60,997**	**—**	**(7,057)**	**—**	**185,693**
Bonds	**349,352**	**—**	**—**	**—**	**90**	**349,442**
Lease liabilities	**303,512**	**(57,132)**	**66,270**	**(12,498)**	**—**	**300,153**
Total liabilities related to financing activities	**¥844,468**	**¥117,127**	**¥66,270**	**¥(21,765)**	**¥90**	**¥1,006,190**

Fiscal year ended December 31, 2019

			Changes without cash flows			
	As of January 1, 2019	Changes with cash flows	Acquisition	Exchange differences on translation of foreign operations	Others	As of December 31, 2019
						Millions of yen
Long-term debt	¥ 84,485	¥(23,332)	¥ —	¥ (1,304)	¥ —	¥ 59,850
Short-term debt	97,339	35,261	—	(846)	—	131,753
Bonds	219,709	130,000	—	—	(357)	349,352
Lease liabilities	323,276	(55,002)	48,221	(13,642)	659	303,512
Total liabilities related to financing activities	¥724,809	¥ 86,928	¥48,221	¥(15,791)	¥ 302	¥844,468

Fiscal year ended December 31, 2020

			Changes without cash flows			
	As of January 1, 2020	Changes with cash flows	Acquisition	Exchange differences on translation of foreign operations	Others	As of December 31, 2020
						Thousands of U.S. dollars
Long-term debt	**$ 578,262**	**$1,094,321**	**$ —**	**$ (21,352)**	**$ —**	**$ 1,651,231**
Short-term debt	**1,272,980**	**589,338**	**—**	**(68,185)**	**—**	**1,794,134**
Bonds	**3,375,381**	**—**	**—**	**—**	**872**	**3,376,253**
Lease liabilities	**2,932,486**	**(551,997)**	**640,292**	**(120,753)**	**—**	**2,900,028**
Total liabilities related to financing activities	**$ 8,159,109**	**$1,131,662**	**$640,292**	**$(210,289)**	**$872**	**$9,721,646**

NOTE 33 SHARE-BASED PAYMENT

The Company has adopted the stock option plan and the PSU. The stock option plan is an equity-settled share-based compensation plan for directors, executive officers and corporate officers. The PSU is a performance-based stock compensation plan for executive officers of the Company ("officers eligible for the grant") under which the Company presets numerical targets of the Company's performance, etc. ("performance indicators") for a certain period ("performance measuring period") and delivers the Company's shares and cash, which are equivalent to the amount calculated by multiplying a rate from 0% to 200% ,depending on a target achievement rate at the end of the performance measuring period, on the base number of shares which are also preset by the Company.

In addition, the performance measuring period of the PSU for the fiscal year ended December 31, 2020 is from the fiscal year ending December 31, 2021 to the fiscal year ending December 31, 2023, and the Company's shares and cash will be delivered after this performance measuring period.

The estates delivered to the officers eligible for the grant based on the PSU consist of the Company's shares by 50% and cash by 50% considering individual income tax paid by the officers and other factors.

Furthermore, whether the Company's shares and cash are delivered, the officers eligible for the grant of the Company's shares and cash, and the number of shares and the amount of cash delivered to them are not determined at the time of introduction of the PSU because, as mentioned above, the delivery of the Company's shares and cash depends on an achievement rate of the performance indicators under this plan.

(1) Stock option plan

The Group has not granted any new stock options since July 5, 2017.

1) Terms of the contracts, etc.

	Resolution at Annual Shareholders' Meeting and Board Meeting held on March 26, 2009	Resolution at Annual Shareholders' Meeting and Board Meeting held on March 30, 2010	Resolution at Annual Shareholders' Meeting and Board Meeting held on March 29, 2011	Resolution at Annual Shareholders' Meeting and Board Meeting held on March 27, 2012
Persons granted	Nine directors of the Company and 20 corporate officers not concurrently serving as directors of the Company	Eight directors of the Company and 25 corporate officers not concurrently serving as directors of the Company	Nine directors of the Company and 36 corporate officers not concurrently serving as directors of the Company	Nine directors of the Company and 35 corporate officers not concurrently serving as directors of the Company
Class and number of shares granted	Ordinary shares: 110,000 shares	Ordinary shares: 118,500 shares	Ordinary shares: 154,500 shares	Ordinary shares: 202,000 shares
Date of grant	May 1, 2009	May 6, 2010	May 2, 2011	May 1, 2012
Vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions	No vesting conditions
Target service period	No specified service period	No specified service period	No specified service period	No specified service period
Exercise period	From May 1, 2009 to April 30, 2029	From May 6, 2010 to April 30, 2030	From May 2, 2011 to April 30, 2031	From May 1, 2012 to April 30, 2032

	Resolution at Annual Shareholders' Meeting and Board Meeting held on March 26, 2013	Resolution at Annual Shareholders' Meeting and Board Meeting held on March 25, 2014	Resolution at Annual Shareholders' Meeting and Board Meeting held on March 24, 2015	Resolution at Board Meeting held on April 21, 2016
Persons granted	Four directors of the Company and 36 corporate officers not concurrently serving as directors of the Company	Four directors of the Company and 46 corporate officers not concurrently serving as directors of the Company	Three directors of the Company and 48 corporate officers not concurrently serving as directors of the Company	Two directors of the Company excluding non-executive directors, eight executive officers not concurrently serving as directors and 41 corporate officers
Class and number of shares granted	Ordinary shares: 196,000 shares	Ordinary shares: 131,900 shares	Ordinary shares: 142,500 shares	Ordinary shares: 208,800 shares
Date of grant	May 1, 2013	May 1, 2014	May 1, 2015	May 6, 2016
Vesting conditions	No vesting condition	No vesting condition	No vesting condition	No vesting condition
Target service period	No specified service period	No specified service period	No specified service period	No specified service period
Exercise period	From May 1, 2013 to April 30, 2033	From May 1, 2014 to April 30, 2034	From May 1, 2015 to April 30, 2035	From May 7, 2016 to May 6, 2036

	Resolution at Board Meeting held on April 27, 2017 Plan A	Resolution at Board Meeting held on April 27, 2017 Plan B
Persons granted	Two directors of the Company excluding non-executive directors, five executive officers not concurrently serving as directors and 45 corporate officers	One executive officer not concurrently serving as director and two corporate officers
Class and number of shares granted	Ordinary shares: 206,500 shares	Ordinary shares: 14,300 shares
Date of grant	May 12, 2017	July 5, 2017
Vesting conditions	No vesting condition	No vesting condition
Target service period	No specified service period	No specified service period
Exercise period	From May 13, 2017 to May 12, 2037	From July 6, 2017 to July 5, 2037

2) Changes in the number of stock options

	Fiscal year ended December 31, 2020		Fiscal year ended December 31, 2019	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
	Shares	Yen (U.S. dollars)	Shares	Yen
Balance at beginning of period	**1,161,300**	**¥1 ($0.01)**	1,245,600	¥1
Effect of share split	**—**	**—**	—	—
Granted	**—**	**—**	—	—
Exercised	**77,300**	**1 ($0.01)**	84,300	1
Forfeited	**—**	**—**	—	—
Balance at end of period	**1,084,000**	**¥1 ($0.01)**	1,161,300	¥1
Exercisable balance as of end of period	**1,084,000**	**¥1 ($0.01)**	1,161,300	¥1

(Note 1) The number of stock options is presented by converting it into the number of shares.
(Note 2) All the stock options have been granted at an exercise price of ¥1 ($0.01) per share.
(Note 3) The weighted-average stock price of the exercised stock options at exercise during the period is ¥3,523 ($34) for the fiscal year ended December 31, 2020. As for the fiscal year ended December 31, 2019, it was ¥4,321.
(Note 4) The weighted-average remaining contractual lives of the outstanding stock options as of December 31, 2020 and 2019 were 13.4 years and 14.2 years, respectively.

(2) PSU

As previously mentioned, the Company has discontinued the share-based stock options plans and introduced the PSU in March 2018.

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019
Number of shares granted (Shares)	**—**	—
Weighted-average fair value at grant date (Yen)	**—**	—

(Note) The carrying amounts of liabilities arising from share-based remuneration transactions are ¥1,013 million and ¥432 million as at December 31, 2019 and January 1, 2019 (transition date), respectively. This is not applicable for the fiscal year ended December 31, 2020.

(3) Share-based remuneration expenses

Share-based remuneration expenses included in the "Selling, general and administrative expenses" in the consolidated statement of profit or loss are ¥1,013 million ($9,783 thousand) as reversal for the fiscal year ended December 31, 2020 and ¥581 million for the fiscal year ended December 31, 2019.

NOTE 34 FINANCIAL INSTRUMENTS

(1) Capital management

The Group conducts capital management with the aim of increasing capital efficiency to realize maintaining a proper financial constitution and return to stockholders, while securing the internal reserves necessary for “Restructuring of the earning power on our core business,” “Strategic investments for growth for the expansion of our growing solution business” and “Strategic investments for growth on exploring businesses.”

As management indicators, the Group utilizes ROE and ROIC as items to be managed for measuring capital efficiency. The Group will also enhance to restruct and act based on a financial strategic foundation which supports the Mid-Term Management Plan through the realization of portfolio management by “Restructuring of the earing power” using ROIC and conducting a financial assessment at the planning and acting stage of investments without fail.

(2) Matters related to risk management

The Group is exposed to financial risk (credit risk, liquidity risk, currency fluctuation risk, interest rate fluctuation risk, and market price fluctuation risk) in the course of performing operation activities. To avoid such financial risks, the Group has managed these risks in accordance with certain policies.

(3) Credit risk management

The Group is exposed to the credit risk—a risk of financial loss if the counterpart to the financial assets held by the Group fails to fulfill its obligations. With respect to trade receivables, the Group regularly monitors the status of its major suppliers or customers, managing due dates and balances on an individual supplier or customer. Furthermore, to mitigate risk, the Group promptly detects unrecoverable amount due to a deterioration of the financial position of its supplier or customer, or other reasons, and deems such receivables to be in default when all or part of them are determined to be uncollectible or extremely difficult to collect. When using derivative transactions, the Group engages in transactions with only highly rated financial institutions to mitigate counterparty risk.

The carrying amount of the financial assets after impairment presented in the consolidated statement of financial position is the maximum value of the exposure against the credit risk of the Group’s financial assets.

The Group’s credit risk exposure related to notes and accounts receivable, etc. are as follows: The Group measures the future expected credit losses to record allowance for doubtful accounts on notes and accounts receivable, etc., taking into accounts probability of recoverability and if there has been a significant increase in credit risk, etc. Whether credit risk increases significantly or not, it is assessed based on the changes in the default risk. For this purpose, the financial condition of the counterpart, past experience, provisions that have already been recorded and past due information is taken into consideration. Allowance for doubtful accounts on trade receivables is always measured at an amount equal to lifetime expected credit losses, which may be measured either on an individual or collective basis, depending on the nature and size of the transaction. If one or several of the following events that can affect the estimated future cash flows of the trade receivables adversely occur, the Group assesses expected credit losses on an individual receivable basis as credit-impaired trade receivables. The Group does not expose itself to significant concentrations of credit risk from specific supplier or customer.

- significant financial difficulty of the debtor
- a breach of contract such as a default or past due event
- the probability that the debtor will enter bankruptcy or other financial reorganization

1) Credit risk exposure related to trade and other receivables, etc.

Notes and accounts receivable, etc.

	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Credit-impaired financial assets	Total
			Millions of yen
As of January 1, 2019 (Transition date)	¥766,228	¥15,365	¥781,593
As of December 31, 2019	¥735,945	¥17,175	¥753,121
As of December 31, 2020	¥661,226	¥16,969	¥678,195

	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Credit-impaired financial assets	Total
			Thousands of U.S. dollars
As of December 31, 2020	$6,388,653	$163,953	$6,552,606

Other financial assets

	Financial assets for which allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses		
		Financial assets for which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	Total
				Millions of yen
As of January 1, 2019 (Transition date)	¥70,503	¥4,185	¥ 24	¥74,712
As of December 31, 2019	¥79,312	¥1,887	¥ 26	¥81,225
As of December 31, 2020	¥58,818	¥3,290	¥622	¥62,729

	Financial assets for which allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses		
		Financial assets for which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	Total
				Thousands of U.S. dollars
As of December 31, 2020	$568,288	$31,787	$6,006	$606,081

2) Changes in allowance for doubtful accounts

Allowance for doubtful accounts against notes and accounts receivable, etc.

	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Credit-impaired financial assets	Total
			Millions of yen
Balance at January 1, 2019	¥18,250	¥14,817	¥33,067
Increase during period	3,832	2,419	6,251
Decrease during period (utilized)	(1,403)	(830)	(2,233)
Decrease during period (reversed)	(1,764)	(318)	(2,083)
Others	(120)	(1)	(121)
Balance at December 31, 2019	¥18,795	¥16,086	¥34,881
Increase during period	5,592	6,144	11,736
Decrease during period (utilized)	(773)	(2,864)	(3,637)
Decrease during period (reversed)	(1,636)	(1,664)	(3,300)
Others	(794)	(997)	(1,791)
Balance at December 31, 2020	¥21,184	¥16,705	¥37,889

	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Credit-impaired financial assets	Total
			Thousands of U.S. dollars
Balance at December 31, 2019	$ 181,596	$155,423	$337,019
Increase during period	54,029	59,358	113,387
Decrease during period (utilized)	(7,467)	(27,673)	(35,140)
Decrease during period (reversed)	(15,811)	(16,076)	(31,886)
Others	(7,673)	(9,632)	(17,304)
Balance at December 31, 2020	$204,676	$161,400	$366,075

Allowance for doubtful accounts against other financial assets

	Financial assets for which allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses		Total
		Financial assets for which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
				Millions of yen
Balance at January 1, 2019	¥ 74	¥ 382	¥ 24	¥ 480
Increase during period	11	199	4	214
Decrease during period (utilized)	(1)	—	(1)	(1)
Decrease during period (reversed)	(14)	(205)	—	(219)
Others	(0)	—	(0)	(0)
Balance at December 31, 2019	¥ 71	¥ 377	¥ 26	¥ 474
Increase during period	1	144	575	719
Decrease during period (utilized)	—	—	(3)	(3)
Decrease during period (reversed)	(5)	(173)	—	(177)
Others	—	—	22	22
Balance at December 31, 2020	¥ 67	¥ 348	¥620	¥1,035

	Financial assets for which allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Allowance for doubtful accounts measured at an amount equal to lifetime expected credit losses		Total
		Financial assets for which credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
				Thousands of U.S. dollars
Balance at December 31, 2019	$685	$ 3,641	$ 256	$ 4,581
Increase during period	7	1,390	5,553	6,950
Decrease during period (utilized)	—	—	(32)	(32)
Decrease during period (reversed)	(44)	(1,671)	—	(1,715)
Others	—	—	217	217
Balance at December 31, 2020	$648	$ 3,360	$5,994	$10,001

(4) Liquidity risk management

The Group is exposed to liquidity risk which is the risk of being unable to make payments on due dates because of a deterioration of the funding environment. Notes and accounts payable and accounts payable, which are trade payable, are largely due within one year.

Based on a cash flow plan that incorporates estimated cash inflows and outflows arising from business activities, the Group mitigates liquidity risk by understanding its future cash position in advance and managing cash position efficiently while diversifying funding options, which include bank borrowings and bond issuance. To mitigate for liquidity risk, the Group has established a required borrowing facility by entering into a commitment line agreement with several financial institutions.

Balances of financial liabilities (including derivative financial instruments) by due date as of the end of each fiscal year are as follows:

As of December 31, 2020

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
								Millions of yen
Non-derivative financial liabilities								
Trade and other payables	¥ 420,140	¥ 420,140	¥420,140	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds and borrowings	706,037	706,595	293,978	81,618	15,425	100,380	5,063	210,131
Lease liabilities	300,153	339,789	61,004	52,825	41,898	32,476	25,334	126,252
Subtotal	1,426,330	1,466,524	775,122	134,443	57,323	132,856	30,397	336,383
Derivative financial liabilities (Note)								
Forward exchange contracts	3,635	3,635	3,635	—	—	—	—	—
Currency swap contracts	4,715	4,715	1,522	(144)	442	2,895	—	—
Commodity swap contracts	(351)	(351)	(351)	—	—	—	—	—
Subtotal	7,999	7,999	4,806	(144)	442	2,895	—	—
Total	¥1,434,329	¥1,474,523	¥779,928	¥134,299	¥57,765	¥135,751	¥30,397	¥336,383

(Note) Receivables and payables incurred by derivative transactions are presented in net amount.

As of December 31, 2019

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
								Millions of yen
Non-derivative financial liabilities								
Trade and other payables	¥ 453,069	¥ 453,069	¥453,069	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds and borrowings	540,955	541,603	135,442	8,326	84,115	2,928	100,446	210,346
Lease liabilities	303,512	344,833	59,746	51,640	43,466	34,768	26,249	128,964
Subtotal	1,297,536	1,339,505	648,257	59,966	127,581	37,696	126,695	339,310
Derivative financial liabilities (Note)								
Forward exchange contracts	2,972	2,972	2,972	—	—	—	—	—
Currency swap contracts	(625)	(625)	(1,444)	1,510	(542)	—	(149)	—
Commodity swap contracts	(263)	(263)	(263)	—	—	—	—	—
Subtotal	2,084	2,084	1,265	1,510	(542)	—	(149)	—
Total	¥1,299,620	¥1,341,589	¥649,522	¥61,476	¥127,039	¥37,696	¥126,546	¥339,310

As of January 1, 2019 (Transition date)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
								Millions of yen
Non-derivative financial liabilities								
Trade and other payables	¥ 497,173	¥ 497,173	¥497,173	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds and borrowings	401,533	401,824	191,583	2,801	8,552	84,859	3,046	110,983
Lease liabilities	323,276	366,908	60,128	55,169	45,853	38,202	30,331	137,225
Subtotal	1,221,982	1,265,905	748,884	57,970	54,405	123,061	33,377	248,208
Derivative financial liabilities (Note)								
Forward exchange contracts	(3,425)	(3,425)	(3,425)	—	—	—	—	—
Currency swap contracts	(1,503)	(1,503)	500	(2,172)	388	(220)	—	—
Commodity swap contracts	197	197	197	—	—	—	—	—
Subtotal	(4,731)	(4,731)	(2,728)	(2,172)	388	(220)	—	—
Total	¥1,217,251	¥1,261,174	¥746,156	¥55,798	¥54,793	¥122,841	¥33,377	¥248,208

As of December 31, 2020

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
								Thousands of U.S. dollars
Non-derivative financial liabilities								
Trade and other payables	$ 4,059,319	$ 4,059,319	$4,059,319	$ —	$ —	$ —	$ —	$ —
Bonds and borrowings	6,821,618	6,827,007	2,840,365	788,579	149,034	969,860	48,922	2,030,248
Lease liabilities	2,900,028	3,282,981	589,412	510,389	404,811	313,777	244,769	1,219,822
Subtotal	13,780,965	14,169,307	7,489,097	1,298,967	553,845	1,283,637	293,691	3,250,070
Derivative financial liabilities (Note)								
Forward exchange contracts	35,120	35,120	35,120	—	—	—	—	—
Currency swap contracts	45,553	45,553	14,706	(1,387)	4,268	27,976	—	—
Commodity swap contracts	(3,394)	(3,394)	(3,394)	—	—	—	—	—
Subtotal	77,279	77,279	46,432	(1,387)	4,268	27,976	—	—
Total	$13,858,244	$14,246,586	$7,535,529	$1,297,580	$558,112	$1,311,613	$293,691	$3,250,070

(Note) Receivables and payables incurred by derivative transactions are presented in net amount.

Total amount of committed line and the amount undrawn are as follows:

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Total amount of committed line	¥139,512	¥144,754	¥165,060	$1,347,943
The amount drawn	1,967	2,629	3,488	19,000
The amount undrawn	137,546	142,124	161,572	1,328,943

(5) Foreign currency risk management

As the Group engages in several business activities such as development, manufacture, distribution, sales and procurement globally, which entail cross-border transactions, exchange rate fluctuations affect Group's business performance.

With respect to the trade receivables and payables denominated in foreign currencies, the Company and some of its consolidated subsidiaries use forward exchange contracts to hedge against currency risk recognized by currency on a monthly basis. The Company and some of its consolidated subsidiaries may enter into forward exchange contracts and currency option contracts for foreign currency-denominated trade receivables and payables that are surely expected to be incurred from the forecast transactions related to imports and exports, depending on exchange rate conditions. The Company and some of its consolidated subsidiaries may also enter into currency swap contracts, if required, to hedge against currency risk associated with loans and borrowings denominated in foreign currencies.

Derivative transactions are limited to transactions within the scope of immediate needs in accordance with the internal regulations; therefore, the Group does not engage in speculative transactions.

Foreign currency sensitivity analysis

For the financial instruments held by the Group at each fiscal year-end, the impact of appreciation of the foreign currencies against the yen by ¥1 on profit before tax is as follows:

The figures below do not include the impact of translation of financial instruments denominated in functional currencies, assets and liabilities as well as revenues and costs of foreign operations into yen. This analysis is based on the assumption that other variable factors (such as balances, interest rate, etc.) are constant.

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Profit before tax	¥(65)	¥(51)	$(629)

(6) Interest rate risk management

A part of the borrowings, etc. of the Group has a variable rate, which exposes the Group to the risk of changes in interest rates. The Group enters into interest rate swap contracts, if required, to hedge the risk of interest rate fluctuation risk on its borrowings.

Derivative transactions are limited to transactions within the scope of immediate needs in accordance with the internal regulations, and the Group does not engage in speculative transactions.

Interest rate sensitivity analysis

As for the financial instruments held by the Group at each fiscal year-end, the impact of interest rate hikes by 1% on profit before tax is as follows:

This analysis is applicable to the financial instruments subject to the effects of changes in interest rates, assuming other variable factors such as the effects of the changes in currency rates remain constant.

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Profit before tax	**¥(93)**	¥(161)	**$(903)**

(7) Market price fluctuation risk management

The investment securities the Group holds are mostly stocks of its supplier or customer, which are subject to the risk of changes in market price.

The Group regularly monitors those fair values, the financial status of the issuers, such as supplier or customer, etc. while reviews its holdings as appropriate in light of its relationships with them.

Sensitivity of share price fluctuation risk

The sensitivity analysis of the listed stocks the Group holds to share price fluctuation risk is as follows: The analysis shows the impact of drops in market prices of the listed stocks by 1% on other comprehensive income before tax effect, assuming other variables remain constant.

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Other comprehensive income	**¥(714)**	¥(890)	**$(6,897)**

(8) Fair value measurement

The fair value hierarchy of the financial instruments is categorized into the following three levels based on the inputs to the valuation techniques used.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

1) Financial instruments measured at fair value

The methods for measuring of major financial instruments measured at fair value are as follows:

(i) Derivative assets and derivative liabilities

Derivative assets and derivative liabilities are included in other financial assets and other financial liabilities, respectively, and those are classified as derivative assets and derivative liabilities measured at fair value through profit or loss. These are forward exchange contracts, currency swap contracts and interest rate swap contracts, etc., which are measured based on the model using largely observable inputs such as foreign currency rates and interest rates.

(ii) Shares
Shares are included in other financial assets, classified into financial assets measured at fair value through other comprehensive income. The shares categorized in Level 1 are the listed stocks traded in active market, which are measured at a quoted price on the exchange. The shares categorized in Level 3 are unlisted stocks, which are primarily measured by using the net asset-based valuation model (i.e., a method of measuring enterprise value based on the net assets of the share issuing company, adjusted for any items that should be adjusted due to marked-to-market, if any).

The fair value hierarchy of financial instruments measured at fair value are as follows:

As of December 31, 2020

	Level 1	Level 2	Level 3	Total
				Millions of yen
Derivative assets	**¥ —**	**¥ 2,992**	**¥ —**	**¥ 2,992**
Shares	**71,383**	**—**	**10,891**	**82,274**
Total	**¥71,383**	**¥ 2,992**	**¥10,891**	**¥85,266**
Derivative liabilities	**—**	**10,991**	**—**	**10,991**
Total	**¥ —**	**¥10,991**	**¥ —**	**¥ 10,991**

As of December 31, 2019

	Level 1	Level 2	Level 3	Total
				Millions of yen
Derivative assets	¥ —	¥4,223	¥ —	¥ 4,223
Shares	88,966	—	9,559	98,525
Total	¥88,966	¥4,223	¥9,559	¥102,748
Derivative liabilities	—	6,307	—	6,307
Total	¥ —	¥6,307	¥ —	¥ 6,307

As of January 1, 2019 (Transition date)

	Level 1	Level 2	Level 3	Total
				Millions of yen
Derivative assets	¥ —	¥7,471	¥ —	¥ 7,471
Shares	167,770	—	8,035	175,805
Total	¥167,770	¥7,471	¥8,035	¥183,276
Derivative liabilities	—	2,739	—	2,739
Total	¥ —	¥2,739	¥ —	¥ 2,739

As of December 31, 2020

	Level 1	Level 2	Level 3	Total
				Thousands of U.S. dollars
Derivative assets	**$ —**	**$ 28,903**	**$ —**	**$ 28,903**
Shares	**689,693**	**—**	**105,223**	**794,916**
Total	**$689,693**	**$ 28,903**	**$105,223**	**$823,820**
Derivative liabilities	**—**	**106,192**	**—**	**106,192**
Total	**$ —**	**$106,192**	**$ —**	**$ 106,192**

Transfers between levels of the fair value hierarchy are recognized at the end of each fiscal year. There was no transfer between Level 1 and Level 2 for the fiscal years ended December 31, 2019 and 2020.

The changes in assets and liabilities measured at fair value by using Level 3 inputs on a recurring basis from the beginning to the end of the fiscal years ended December 31, 2020 and 2019 are as follows:

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	**¥ 9,559**	¥8,035	**$92,354**
Total gains and losses			
Other comprehensive income (Note 1)	**108**	(260)	**1,048**
Purchases	**529**	1,804	**5,108**
Sold and collection	**(25)**	(149)	**(246)**
Transfer from Level 3 (Note 2)	**—**	(2)	**—**
Other	**720**	131	**6,959**
Balance at end of period	**¥10,891**	¥9,559	**$105,223**

(Note 1) Amount is included in "Net change in fair value of financial assets measured through other comprehensive income" in the consolidated statement of comprehensive income.
(Note 2) The transfer from Level 3 recognized in the fiscal year ended December 31, 2019 was attributable to the listing of the investee on the stock exchange.

The financial instruments categorized as Level 3 in the fair value hierarchy are financial assets measured at fair value through other comprehensive income for which quoted market prices are not readily available. The fair values of such financial instruments are calculated based on the Group's accounting policy. When measuring the fair values, the Group determines the most appropriate valuation technique considering the nature of the assets, etc. with reasonably estimated input.

2) Financial instruments measured at amortized cost
The valuation technique for the fair value of the financial instruments measured at amortized cost is as follows:

The table below does not include financial instruments where the carrying amounts of which reasonably approximate the fair values and it is not material.

Bonds and borrowings
The fair value of bonds are based on market prices. The fair values of the borrowings are calculated based on the present value and by discounting the total principal and interest over the remaining term at an interest rate that would be applied if similar borrowings were newly made.

As of December 31, 2020

	Carrying amount	Level 1	Level 2	Level 3	Total
					Millions of yen
Bonds and borrowings	**¥412,060**	**¥—**	**¥413,610**	**¥—**	**¥413,610**
Total	**¥412,060**	**¥—**	**¥413,610**	**¥—**	**¥413,610**

As of December 31, 2019

	Carrying amount	Level 1	Level 2	Level 3	Total
					Millions of yen
Bonds and borrowings	¥405,514	¥—	¥406,462	¥—	¥406,462
Total	¥405,514	¥—	¥406,462	¥—	¥406,462

As of January 1, 2019 (Transition date)

	Carrying amount	Level 1	Level 2	Level 3	Total
					Millions of yen
Bonds and borrowings	¥209,977	¥—	¥209,953	¥—	¥209,953
Total	¥209,977	¥—	¥209,953	¥—	¥209,953

As of December 31, 2020

	Carrying amount	Level 1	Level 2	Level 3	Total
					Thousands of U.S. dollars
Bonds and borrowings	**$3,981,258**	**$—**	**$3,996,231**	**$—**	**$3,996,231**
Total	**$3,981,258**	**$—**	**$3,996,231**	**$—**	**$3,996,231**

(9) Hedge accounting

Risk management strategy

The Group uses, as derivative transactions, such as forward exchange contracts and currency swap contracts to hedge against currency risk associated with the foreign currency-denominated receivables and payables as well as foreign currency-denominated forecast transaction. It uses currency swap contracts, if required, to hedge against risk of changes in currency rate and interest rate associated with the foreign currency-denominated loans and borrowings. The Group also engages in interest rate swap contracts, if required, to hedge against risk of changes in interest rate of the borrowings. It uses commodity swap contracts, if required, to mitigate price risk from raw materials. With respect to the execution and management of derivative transactions, the Group complies with the internal regulations that stipulate transaction authority, and engages in the derivative transactions with only highly rated financial institutions to mitigate counterparty credit risk. Hedge ratio is appropriately determined based on the economic relationship between the hedging instrument and hedged item as well as its risk management strategies. There is no material ineffective portion of hedge as the Group applies hedge accounting only when the critical terms of hedging instruments and hedged items match exactly.

The Group uses derivatives when it is economically rational to do so, including the cases where the hedging relationship does not meet the requirements to qualify for hedge accounting.

The carrying amounts and changes in fair value of the hedging instruments that qualify for hedge accounting in each fiscal year are as follows:

As of December 31, 2020

Hedging type	Hedging instrument	Contract amount	Carrying amount (Note) Assets	Liabilities
				Millions of yen
Cash flow hedges	**Foreign currency derivatives**	**¥42,229**	**¥218**	**¥957**
Total		**¥42,229**	**¥218**	**¥957**

As of December 31, 2019

Hedging type	Hedging instrument	Contract amount	Carrying amount (Note) Assets	Liabilities
				Millions of yen
Cash flow hedges	Foreign currency derivatives	¥42,533	¥—	¥759
Total		¥42,533	¥—	¥759

As of January 1, 2019 (Transition date)

Hedging type	Hedging instrument	Contract amount	Carrying amount (Note) Assets	Liabilities
				Millions of yen
Cash flow hedges	Foreign currency derivatives	¥31,547	¥552	¥14
Total		¥31,547	¥552	¥14

As of December 31, 2020

Hedging type	Hedging instrument	Contract amount	Carrying amount (Note) Assets	Liabilities
				Thousands of U.S. dollars
Cash flow hedges	**Foreign currency derivatives**	**$408,012**	**$2,101**	**$9,248**
Total		**$408,012**	**$2,101**	**$9,248**

(Note) The carrying amounts of these derivatives are recorded in "Other financial assets" or "Other financial liabilities" in the consolidated statement of financial position, and the amounts due for more than one year are categorized as non-current assets or non-current liabilities.

The expected duration of cash flows from the cash flow hedges is approximately 3 months to 11 months for foreign currency contracts, which is expected to be largely the same as the expected duration of the impact on net profit or loss.

For the fiscal years ended December 31, 2019 and 2020, there are no material amounts recognized in profit or loss, which are related to the ineffective portions of hedges and portions excluded from assessment of hedge effectiveness.

The changes in the cash flow hedge reserve arising from the hedging instruments designated as cash flow hedges are as follows:

Fiscal year ended December 31, 2020

	Effective portion of change in fair value of cash flow hedges		
	Foreign currency risk	Commodity-related risk	Total
			Millions of yen
Balance at January 1, 2020			
Other comprehensive income	¥(325)	¥—	¥(325)
Amount that occurred during the period (Note 1)	198	4	202
Amount of reclassification adjustment (Note 2)	159	—	159
Tax effect	(45)	—	(45)
Balance at December 31, 2020	¥ (13)	¥ 4	¥ (9)

Fiscal year ended December 31, 2019

	Effective portion of change in fair value of cash flow hedges		
	Foreign currency risk	Commodity-related risk	Total
			Millions of yen
Balance at January 1, 2019	¥ 1,767	¥(25)	¥ 1,742
Other comprehensive income			
Amount that occurred during the period (Note 1)	(861)	25	(836)
Amount of reclassification adjustment (Note 2)	(1,627)	—	(1,627)
Tax effect	396	—	396
Balance at December 31, 2019	¥ (325)	¥ —	¥ (325)

Fiscal year ended December 31, 2020

	Effective portion of change in fair value of cash flow hedges		
	Foreign currency risk	Commodity-related risk	Total
			Thousands of U.S. dollars
Balance at January 1, 2020			
Other comprehensive income	$(3,137)	$—	$(3,137)
Amount that occurred during the period (Note 1)	1,903	37	1,940
Amount of reclassification adjustment (Note 2)	1,537	—	1,537
Tax effect	(430)	—	(430)
Balance at December 31, 2020	$ (126)	$37	$ (90)

(Note 1) The changes in fair value of the hedged items used as the basis for recognizing the ineffective portion matches the changes in fair value of the hedging instruments.

(Note 2) The amount was reclassified as the hedged items affected net profit or loss, and it was recognized as "Other income," "Other expenses" or "Finance income" and "Finance costs" in the consolidated statement of profit or loss.

(10) Transfer of financial instruments

The Group liquidates a part of its trade receivables. Some of these trade receivables entail a payment obligation on the Group if the debtor fails to make a payment. The Group does not derecognize those trade receivables because they do not qualify for derecognition of financial assets.

The trade receivables transferred in such a way that did not qualify for derecognition are recorded as "Trade and other receivables" at the amount of ¥117,969 million ($1,139,796 thousand), ¥158,091 million and ¥167,828 million as of December 31, 2020, December 31, 2019 and January 1, 2019 (transition date), respectively. In addition, the proceeds arising upon the transfer of the assets are recorded at the amount of ¥20,700 million ($200,000 thousand), ¥21,912 million and ¥22,200 million, respectively, as the related liabilities in "Bonds and borrowings" as at the above dates.

NOTE 35 RELATED PARTY

(1) Related party transactions

Fiscal year ended December 31, 2020

Not applicable

Fiscal year ended December 31, 2019

Not applicable

As of January 1, 2019 (Transition date)

Not applicable

(2) Remuneration for key management personnel

The remuneration for key management personnel of each fiscal year is as follows:

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Remuneration and bonuses	**¥503**	¥587	**$4,857**
Share-based remuneration	**—**	195	**—**
Total	**¥503**	¥782	**$4,857**

NOTE 36 SUBSIDIARIES AND ASSOCIATES, ETC.

(1) Information on significant subsidiaries

The significant subsidiaries and associates of the Group at December 31, 2020 are as follows:

Name	Location	Description of major businesses	Ownership ratio of voting rights (%)
(Consolidated subsidiaries)			
BRIDGESTONE TIRE SOLUTION JAPAN CO., LTD.	Chuo-ku, Tokyo	Controlling the sales of automotive tires for the domestic market and sales of automotive tires	100.0
BRIDGESTONE RETAIL JAPAN CO., LTD.	Chuo-ku, Tokyo	Sales of automotive tires and automotive products	(100.0) 100.0
BRIDGESTONE PLANT ENGINEERING CO., LTD.	Hiki-gun, Saitama	Manufacturing, sales, installation and maintenance of industrial machinery, etc.	100.0
BRIDGESTONE LOGISTICS CO., LTD.	Chuo-ku, Tokyo	Shipping and warehousing	100.0
BRIDGESTONE DIVERSIFIED CHEMICAL PRODUCTS CO., LTD.	Chuo-ku, Tokyo	Manufacturing and sales of synthetic resin products	100.0
BRIDGESTONE DIVERSIFIED PRODUCTS JAPAN CO., LTD.	Minato-ku, Tokyo	Sales of industrial rubber products and sales and construction of building materials	100.0
BRIDGESTONE ELASTECH	Kakegawa, Shizuoka	Manufacturing of antivibration products and metal fittings for automotive and general industries	100.0
BRIDGESTONE CHEMITECH CO., LTD.	Nabari, Mie	Manufacturing and sales of synthetic resin products	100.0
BRIDGESTONE SPORTS CO., LTD.	Minato-ku, Tokyo	Manufacturing and sales of sporting goods	100.0
BRIDGESTONE CYCLE CORPORATION	Ageo, Saitama	Manufacturing and sales of bicycles	100.0
BRIDGESTONE FINANCE CO., LTD.	Kodaira, Tokyo	Loaning of cash, factoring and entrusted service for accounting and payroll	100.0
BRIDGESTONE AMERICAS, INC.	U.S.A.	Controlling businesses in Americas	100.0
BRIDGESTONE AMERICAS TIRE OPERATIONS, LLC	U.S.A.	Manufacturing and sales of automotive tires	(100.0) 100.0
BRIDGESTONE RETAIL OPERATIONS, LLC	U.S.A.	Sales of automotive tires and products and, maintenance and repairing of vehicles	(100.0) 100.0
BRIDGESTONE BANDAG, LLC	U.S.A.	Manufacturing and sales of retread material and supply of related techniques	(100.0) 100.0
FIRESTONE POLYMERS, LLC	U.S.A.	Manufacturing and sales of synthetic rubber	(100.0) 100.0
FIRESTONE BUILDING PRODUCTS COMPANY, LLC	U.S.A.	Manufacturing and sales of roofing materials, etc.	(100.0) 100.0

Name	Location	Description of major businesses	Ownership ratio of voting rights (%)
BRIDGESTONE CANADA INC.	Canada	Manufacturing and sales of automotive tires and automotive parts	(100.0) 100.0
BRIDGESTONE DE MEXICO, S.A. DE C.V.	Mexico	Manufacturing and sales of automotive tires	(100.0) 100.0
BRIDGESTONE DO BRASIL INDUSTRIA E COMERCIO LTDA.	Brazil	Manufacturing and sales of automotive tires	(100.0) 100.0
BRIDGESTONE ARGENTINA S.A.I.C.	Argentina	Manufacturing and sales of automotive tires	(100.0) 100.0
BRIDGESTONE EUROPE NV/SA	Belgium	Controlling businesses in Europe, Russia, Middle East, India and Africa, and sales of automotive tires	(100.0) 100.0
BRIDGESTONE POZNAN SP. Z O.O.	Poland	Manufacturing and sales of automotive tires	(100.0) 100.0
BRIDGESTONE STARGARD SP. Z O.O.	Poland	Manufacturing and sales of automotive tires	(100.0) 100.0
BRIDGESTONE TATABANYA TERMELO KFT.	Hungary	Manufacturing and sales of automotive tires	(100.0) 100.0
BRIDGESTONE HISPANIA MANUFACTURING S.L.U.	Spain	Manufacturing and sales of automotive tires	(100.0) 100.0
BRIDGESTONE MIDDLE EAST & AFRICA FZE	The United Arab Emirates	Sales of automotive tires	(100.0) 100.0
BRIDGESTONE INDIA PRIVATE LTD.	India	Manufacturing and sales of automotive tires	(100.0) 100.0
BRIDGESTONE SOUTH AFRICA (PTY) LTD.	The Republic of South Africa	Manufacturing and sales of automotive tires	(75.0) 75.0
BRIDGESTONE ASIA PACIFIC PTE. LTD.	Singapore	Controlling tire businesses in China and Asia-Pacific and sales of automotive tires	100.0
BRIDGESTONE (CHINA) INVESTMENT CO., LTD.	China	Controlling tire businesses in China and sales of automotive tires	100.0
BRIDGESTONE (SHENYANG) TIRE CO., LTD.	China	Manufacturing and sales of automotive tires	(100.0) 100.0
BRIDGESTONE (WUXI) TIRE CO., LTD.	China	Manufacturing and sales of automotive tires	(100.0) 100.0
BRIDGESTONE (HUIZHOU) TIRE CO., LTD.	China	Manufacturing and sales of automotive tires	(10.0) 100.0
BRIDGESTONE TIRE MANUFACTURING VIETNAM LLC	Vietnam	Manufacturing and sales of automotive tires	(100.0) 100.0
THAI BRIDGESTONE CO., LTD.	Thailand	Manufacturing and sales of automotive tires	(69.2) 69.2
BRIDGESTONE TIRE MANUFACTURING (THAILAND) CO., LTD.	Thailand	Manufacturing and sales of automotive tires	(100.0) 100.0
P.T. BRIDGESTONE TIRE INDONESIA	Indonesia	Manufacturing and sales of automotive tires	(54.3) 54.3
BRIDGESTONE AUSTRALIA LTD.	Australia	Sales of automotive tires	(100.0) 100.0
BRIDGESTONE SPECIALTY TIRE MANUFACTURING (THAILAND) CO., LTD.	Thailand	Manufacturing and sales of tires for construction and mining vehicles and aircraft tires	100.0
BRIDGESTONE MINING SOLUTIONS AUSTRALIA PTY. LTD.	Australia	Sales and supplying related services of tires for construction and mining vehicles and conveyor belts, etc.	100.0
BRIDGESTONE (HUIZHOU) SYNTHETIC RUBBER CO., LTD.	China	Manufacturing and sales of synthetic rubber	100.0
BRIDGESTONE SINGAPORE PTE LTD.	Singapore	Sales and purchase of natural rubber	100.0
BRIDGESTONE TREASURY SINGAPORE PTE.LTD.	Singapore	Loaning of cash and factoring	100.0
Other: 236 companies			
(Associates accounted for using the equity method, etc.) TIREHUB, LLC	U.S.A.	Sales of automotive tires	(50.0) 50.0
BRISA BRIDGESTONE SABANCI LASTIK SANAYI VE TICARET A.S.	Turkey	Manufacturing and sales of automotive tires	43.6
Other: 135 companies			

(Note) Figures in parenthesis in the ownership ratio of voting rights column indicates indirect ownership ratio.

(2) Significant associates and jointly controlled entities

There are no significant associates and jointly controlled entities of the Group.

(3) Impairment of investments in a jointly controlled entity

The details are presented in Note “16. Impairment of non-financial assets.”

NOTE 37 COMMITMENTS

Commitments for the acquisition of assets after the closing date of each fiscal year are as follows:

	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars
Acquisition of property, plant and equipment	**¥49,066**	¥77,260	¥36,590	**$474,063**
Acquisition of intangible assets	**2,235**	1,200	155	**21,591**
Total	**¥51,300**	¥78,460	¥36,745	**$495,655**

NOTE 38 SIGNIFICANT SUBSEQUENT EVENTS

(Sale of subsidiary)

BRIDGESTONE AMERICAS, INC., a U.S. 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 (hereinafter "FSBP"), a subsidiary of BRIDGESTONE AMERICAS, INC. in the Americas segment, to Holcim Participations (US) Inc., a U.S. subsidiary of LafargeHolcim Ltd., on January 6, 2021 (local time). And the transaction has been completed on March 31, 2021.

In accordance with the Company's decision for the sale, the Company has categorized FSBP and its subsidiaries as discontinued operations for the 2021 fiscal year(January 1, 2021 to December 31, 2021).

Accordingly, profit from discontinued operations on the consolidated statement of profit or loss has been presented separately from the continuing operations.

1. Reasons for the sale of the subsidiary

Founded in 1980, FSBP is a leading company in building materials including roofing materials.

As a result of a detailed consideration of FSBP's future positioning from the standpoint of the Company's mid-long term business strategy, the Company deemed that the best course of action was to sell FSBP to Holcim Participations (US) Inc., the U.S. subsidiary of LafargeHolcim Ltd., a global leader in building solutions.

As a result of the sale, more growth opportunities will be created for FSBP under LafargeHolcim Ltd, and the Company will be able to rebuild the earning power of its tire and rubber businesses and to make strategic investments in its solutions business.

Furthermore, following this sale, the Company has removed FSBP and its subsidiaries from the Company's consolidated subsidiaries.

2. Period for the sale of the subsidiary

Resolution date at the Company's Board of Directors

January 6, 2021

Contract conclusion date for the sale of the subsidiary

January 6, 2021 (local time)

Execution date for the sale of the subsidiary

March 31, 2021

3. Name and contents of business of the subsidiary being sold

Name	FIRESTONE BUILDING PRODUCTS COMPANY, LLC
Contents of business	Manufacturing and sales of roofing materials for building and related products
Contents of transactions with the company	The Company has no transactions with the relevant subsidiary

4. Sales value, gain (loss) on sales, and equity ratio before and after sale

Sales value	The Company will determine the sales value after adjusting FSBP's operating capital and other factors to a company value of 3.4 billion U.S. dollars.
Gain (loss) on sales	The Company records net profit from discontinued operations of 225.3 billion yen as a gain on sales (after tax) in our first quarter of fiscal 2021 consolidated statements of profit or loss.
Pre-sale equity ratio	100%
Sale equity ratio	100%
Post-sale equity ratio	0%

NOTE 39 FIRST-TIME ADOPTION OF IFRS

The Group prepared its consolidated financial statements in accordance with IFRS from the fiscal year ended December 31, 2020. The most recent consolidated financial statements prepared in accordance with Japanese GAAP are those for the fiscal year ended December 31, 2019, and the date of transition to IFRS is January 1, 2019.

(1) Exemption in IFRS 1

IFRS requires, as a general rule, a company adopting IFRS for the first time to apply the provisions required under IFRS retrospectively. However, IFRS 1 allows exemptions for retrospective application of some IFRS requirements on first-time adoption of IFRS. The Group elected to apply the following exemptions for the transition from Japanese GAAP to IFRS:

1) Business combinations

The Group elected not to apply IFRS 3 "Business Combinations" retrospectively to business combinations that occurred before the transition date. Consequently, the amount of goodwill arising from business combinations before the transition date is based on the carrying amount at the transition date under Japanese GAAP.

Further, the Group performed an impairment test on goodwill at the transition date regardless of whether there was any indication that the goodwill may be impaired.

2) Exchange differences on translation of foreign operations

The Group elected to deem all cumulative exchange differences on translation of foreign operations as zero at the transition date.

3) Designation of financial assets recognized prior to the transition date

The Group assessed the classification of financial assets under IFRS 9 "Financial Instruments" on the basis of facts and circumstances existing at the transition date and designated some equity financial assets as financial assets measured through other comprehensive income.

4) Leases

The Group assessed whether a contract existing at the transition date contains a lease on the basis of facts and circumstances existing at the transition date. The Group measured a lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the transition date. In addition, the Group measures, on a lease-by-lease basis, a right-of-use asset at either: (i) its carrying amount as if IFRS 16 had been applied since the commencement date of lease, but discounted using the lessee's incremental borrowing rate at the transition date; or (ii) an amount equal to the lease liability. Further, the Group expensed the lease payments associated with leases for which the lease term ends within 12 months of the transition date and leases for which the underlying asset is of low value.

(2) Mandatory exception under IFRS 1

IFRS 1 prohibits retrospective application of IFRS with respect to "estimates," "derecognition of financial assets and financial liabilities," "hedge accounting," "non-controlling interests," "classification and measurement of financial instruments," etc. Thus, the Group applied IFRS to these items from the transition date and onwards.

(3) Reconciliations

The reconciliations required to be disclosed on the first-time adoption of IFRS are as follows.

In the reconciliations below, "Reclassification" includes items that do not affect retained earnings and comprehensive income, while "Differences in recognition and measurement" include items that affect retained earnings and comprehensive income.

Reconciliations of equity as of January 1, 2019 (transition date)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
						Millions of yen
Assets						Assets
Current assets						Current assets
Cash and deposits	¥ 440,378	¥ (6,462)	¥ —	¥ 433,916		Cash and cash equivalents
Notes and accounts receivable	603,119	19,091	159,705	781,916	(1) (2)	Trade and other receivables
Finished products	406,964	204,240	34,720	645,924	(1) (3)	Inventories
Work in process	37,904	(37,904)	—	—	(1)	
Raw materials and supplies	171,720	(171,720)	—	—	(1)	
Marketable securities	153,853	15,528	(143,514)	25,867	(2)	Other financial assets
Other current assets	123,188	(41,916)	(2,838)	78,435	(1)	Other current assets
Allowance for doubtful accounts	(21,729)	21,729	—	—		
Total current assets	1,915,400	2,586	48,073	1,966,059		Subtotal
	—	1,788	—	1,788		Non-current assets held for sale
Total current assets	1,915,400	4,374	48,073	1,967,847		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	1,524,681	(86,526)	76,886	1,515,042	(1) (4)	Property, plant and equipment
	—	80,087	242,583	322,670	(1) (5)	Right-of-use assets
Intangible assets						
Goodwill	41,381	—	—	41,382		Goodwill
Other intangible fixed assets	48,987	4,137	(3,414)	49,710		Intangible assets
	—	47,839	175	48,014	(1)	Investments accounted for using equity method
Investments and other assets						
Investments in securities	219,970	(7,668)	5,004	217,306	(1)	Other financial assets
Long-term loans receivable	11,465	(11,465)	—	—		
Deferred tax assets	65,698	—	(8,319)	57,379	(6)	Deferred tax assets
Net defined benefit asset	371	(371)	—	—		
Other assets	65,376	(28,859)	(3,190)	33,327		Other non-current assets
Allowance for doubtful accounts	(1,524)	1,524	—	—		
Total fixed assets	1,976,407	(1,302)	309,724	2,284,830		Total non-current assets
Total assets	¥3,891,808	¥ 3,072	¥357,797	¥4,252,677		Total assets

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
						Millions of yen
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable	¥ 233,970	¥ 264,236	¥ (1,033)	¥ 497,173	(1)	Trade and other payables
Short-term debt	100,627	90,955	(27)	191,556	(1)	Bonds and borrowings
Commercial paper	20,955	(20,955)	—	—	(1)	
Current portion of bonds	70,000	(70,000)	—	—	(1)	
Lease obligations	11,495	—	40,601	52,097	(5)	Lease liabilities
Income taxes payable	15,073	11,314	9,016	35,404		Income taxes payable
	—	24,996	—	24,996		Other financial liabilities
Provision for sales returns	3,531	32,910	(3,362)	33,080		Provisions
Provision for reorganization of R&D and manufacturing base	4,333	(4,333)	—	—		
Accounts payable	186,677	(186,677)	—	—	(1)	
Accrued expenses	190,754	(190,754)	—	—	(1)	
Other current liabilities	61,215	54,455	7,519	123,190	(1)	Other current liabilities
Total current liabilities	898,633	6,147	52,715	957,495		Subtotal
	—	—	—	—		Liabilities directly associated with non-current assets held for sale
Total current liabilities	898,633	6,147	52,715	957,495		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds	150,000	(150,000)	—	—	(1)	
Long-term debt	38,041	150,000	21,936	209,977	(1) (2)	Bonds and borrowings
Lease obligations	68,975	—	202,203	271,179	(5)	Lease liabilities
	—	11,824	—	11,824		Other financial liabilities
Net defined benefit liability	196,005	7,862	4,061	207,928		Retirement benefit liabilities
Provision for product warranties	2,999	(2,999)	—	—		
Provision for environmental remediation	1,511	(1,511)	—	—		
Provision for reorganization of R&D and manufacturing base	—	23,072	1,141	24,212		Provisions
Deferred tax liabilities	27,723	—	18,890	46,613	(6)	Deferred tax liabilities
Other long-term liabilities	73,524	(41,321)	(3,126)	29,077		Other non-current liabilities
Total long-term liabilities	558,781	(3,075)	245,104	800,810		Total non-current liabilities
Total liabilities	1,457,414	3,072	297,819	1,758,306		Total liabilities
Equity						Equity
Common stock	126,354	—	—	126,354		Common stock
Capital surplus	121,997	—	—	121,998		Capital surplus
Treasury stock	(32,648)	—	—	(32,648)		Treasury stock
Net unrealized gain (loss) on available-for-sale securities	108,888	(305,364)	315,291	118,815	(7)	Other components of equity
Deferred gain (loss) on derivative instruments	1,730	(1,730)	—	—		
Foreign currency translation adjustments	(174,850)	174,850	—	—		
Remeasurements of defined benefit plans	(135,696)	135,696	—	—		
Stock acquisition rights	3,452	(3,452)	—	—		
Retained earnings	2,360,967	—	(255,687)	2,105,280	(7) (8)	Retained earnings
				2,439,799		Total equity attributable to owners of parent
Non-controlling interests	54,198	—	374	54,572		Non-controlling interests
Total equity	2,434,393	—	59,978	2,494,371		Total equity
Total liabilities and equity	¥3,891,808	¥ 3,072	¥ 357,797	¥4,252,677		Total liabilities and equity

Reconciliations of equity as of the end of the previous fiscal year (December 31, 2019)

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	¥ 441,255	¥ (8,331)	¥ —	¥ 432,924		Cash and cash equivalents
Notes and accounts receivable	583,223	22,608	149,513	755,344	(1) (2)	Trade and other receivables
Finished products	406,119	190,999	33,044	630,162	(1) (3)	Inventories
Work in process	39,360	(39,360)	—	—	(1)	
Raw materials and supplies	150,943	(150,943)	—	—	(1)	
Marketable securities	136,044	14,107	(135,841)	14,311	(2)	Other financial assets
Other current assets	135,496	(51,685)	(3,168)	80,643	(1)	Other current assets
Allowance for doubtful accounts	(21,377)	21,377	—	—		
Total current assets	1,871,066	(1,228)	43,547	1,913,385		Subtotal
	—	5,023	—	5,023		Non-current assets held for sale
Total current assets	1,871,066	3,795	43,547	1,918,408		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	1,562,160	(79,452)	72,461	1,555,170	(1) (4)	Property, plant and equipment
	—	74,035	224,535	298,569	(1) (5)	Right-of-use assets
Intangible assets						
Goodwill	91,410	—	6,935	98,346		Goodwill
Other intangible fixed assets	113,639	3,219	(3,195)	113,664		Intangible assets
	—	46,873	198	47,071	(1)	Investments accounted for using equity method
Investments and other assets						
Investments in securities	141,820	(6,065)	4,706	140,462	(1)	Other financial assets
Long-term loans receivable	7,980	(7,980)	—	—		
Deferred tax assets	77,081	—	(16,371)	60,711	(6)	Deferred tax assets
Net defined benefit asset	7,797	(7,797)	—	—		
Other assets	74,686	(25,980)	(4,090)	44,616		Other non-current assets
Allowance for doubtful accounts	(1,138)	1,138	—	—		
Total fixed assets	2,075,438	(2,010)	285,180	2,358,608		Total non-current assets
Total assets	¥3,946,505	¥ 1,785	¥328,727	¥4,277,016		Total assets

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
						Millions of yen
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable	¥ 202,048	¥ 250,207	¥ 814	¥ 453,069	(1)	Trade and other payables
Short-term debt	76,745	58,696	—	135,442	(1)	Bonds and borrowings
Commercial paper	58,696	(58,696)	—	—	(1)	
Lease obligations	12,094	—	40,733	52,827	(5)	Lease liabilities
Income taxes payable	40,497	4,209	6,800	51,506		Income taxes payable
	—	27,628	—	27,628		Other financial liabilities
Provision for sales returns	3,337	33,789	(2,194)	34,931		Provisions
Provision for recall	4,534	(4,534)	—	—		
Accounts payable	175,562	(175,562)	—	—	(1)	
Accrued expenses	193,756	(193,756)	—	—	(1)	
Other current liabilities	71,039	60,655	7,286	138,980	(1)	Other current liabilities
Total current liabilities	838,312	2,634	53,438	894,383		Subtotal
	—	953	—	953		Liabilities directly associated with non-current assets held for sale
Total current liabilities	838,312	3,586	53,438	895,336		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds	350,000	(350,000)	—	—	(1)	
Long-term debt	34,249	350,000	21,264	405,514	(1) (2)	Bonds and borrowings
Lease obligations	65,673	—	185,011	250,685	(5)	Lease liabilities
	—	12,937	—	12,937		Other financial liabilities
Net defined benefit liability	201,412	7,001	3,206	211,619		Retirement benefit liabilities
Provision for product warranties	2,687	(2,687)	—	—		
Provision for environmental remediation	874	(874)	—	—		
	—	22,510	838	23,348		Provisions
Deferred tax liabilities	34,977	—	9,266	44,243	(6)	Deferred tax liabilities
Other long-term liabilities	74,026	(40,686)	(2,485)	30,856		Other non-current liabilities
Total long-term liabilities	763,902	(1,800)	217,100	979,203		Total non-current liabilities
Total liabilities	1,602,215	1,785	270,538	1,874,539		Total liabilities
Equity						Equity
Common stock	126,354	—	—	126,354		Common stock
Capital surplus	121,997	—	—	121,998		Capital surplus
Treasury stock	(232,330)	—	—	(232,330)		Treasury stock
Net unrealized gain (loss) on available-for-sale securities	55,363	(315,393)	302,691	42,661	(7)	Other components of equity
Deferred gain (loss) on derivative instruments	(342)	342	—	—		
Foreign currency translation adjustments	(189,271)	189,271	—	—		
Remeasurements of defined benefit plans	(129,054)	129,054	—	—		
Stock acquisition rights	3,275	(3,275)	—	—		
Retained earnings	2,535,720	—	(245,025)	2,290,696	(7) (8)	Retained earnings
				2,349,378		Total equity attributable to owners of parent
Non-controlling interests	52,576	—	523	53,099		Non-controlling interests
Total equity	2,344,290	—	58,188	2,402,477		Total equity
Total liabilities and equity	¥3,946,505	¥ 1,785	¥328,727	¥4,277,016		Total liabilities and equity

Notes on reconciliations of equity

(1) Reclassifications

The Group reclassified the following items between Japanese GAAP and IFRS to comply with the provisions of IFRS. The major reclassifications are as follows:

1) Accounts receivable - other, which was included in and presented as "Other current assets" in current assets under Japanese GAAP, are reclassified and presented as "Trade and other receivables" under IFRS.
2) "Finished products," "Work in process," and "Raw materials and supplies," which were separately presented under Japanese GAAP, are presented in aggregate as "Inventories" under IFRS.

3) Right-of-use assets, which were included in and presented as "Property, plant and equipment" under Japanese GAAP, are separately presented as "Right-of-use assets" under IFRS.
4) Equity method investments, which were included in and presented as "Investments in securities" in Fixed assets under Japanese GAAP, are separately presented as "Investments accounted for using the equity method" under IFRS.
5) "Notes and accounts payable," "Accounts payable," and "Accrued expenses," which were separately presented under Japanese GAAP, are presented as "Trade and other payables" and "Other current liabilities" under IFRS.
6) "Short-term debt," "Commercial paper," and "Current portion of bonds," which were separately presented under Japanese GAAP, are presented in aggregate as "Bonds and borrowings" in current liabilities under IFRS.
7) "Bonds" and "Long-term debt," which were separately presented under Japanese GAAP, are presented in aggregate as "Bonds and borrowings" in non-current liabilities under IFRS.

(2) Trade and other receivables

For liquidated receivables that were derecognized and included in and presented as "Marketable securities" in current assets under Japanese GAAP, those that do not satisfy the derecognition criteria under IFRS are included in and presented as "Trade and other receivables" in accordance with provisions of IFRS 9. In addition, liabilities associated with the proceeds from the transfer of such assets are included in and presented as "Bonds and borrowings" in non-current liabilities.

(3) Inventories

The Group changed the valuation method of "Inventories" from the last-in, first-out method to the moving-average method for the Americas operations in accordance with provisions of IAS 2 "Inventories" (hereinafter "IAS 2").

(4) Property, plant and equipment

Under Japanese GAAP, depreciation of "Property, plant and equipment" of the Company and its domestic subsidiaries was computed by the declining-balance method, while the straight-line method was applied to property, plant and equipment of the Company's overseas subsidiaries. However, under IFRS, the straight-line method is consistently applied to property, plant and equipment of the entire Group.

(5) Right-of-use assets and lease liabilities

The Group newly recognized "Right-of-use assets" and "Lease liabilities" principally for buildings and land as a lessee of such leases principally in Japan and the Americas in accordance with provisions of IFRS 16.

(6) Deferred tax assets and deferred tax liabilities

The Group reconciled the amounts of "Deferred tax assets" and "Deferred tax liabilities" principally for the temporary differences resulting from the reconciliations from Japanese GAAP to IFRS.

(7) Other components of equity

The Group applied the exemption set forth under IFRS 1 and transferred all "Foreign currency translation adjustments" under Japanese GAAP to "Retained earnings" on the transition date.

Under Japanese GAAP, the Group prorated the amount of remeasurements of net defined benefit liability (assets) on a straight-line method over a certain number of years within the average remaining service period of employees when it was incurred, and expensed the prorated amount from the fiscal year following the year in which it was incurred. However, under IFRS, the Group recognized such amount in other comprehensive income when it was incurred, and immediately transferred it to "Retained earnings."

(8) Retained earnings

The effect of the reconciliations upon adoption of IFRS on retained earnings is as follows:

	As of January 1, 2019 (Transition date)	As of December 31, 2019
		Millions of yen
(2) Reconciliation of trade and other receivables	¥ (5,745)	¥ (7,592)
(3) Reconciliation of inventories	34,720	33,044
(4) Reconciliation of property, plant and equipment	76,886	72,461
(5) Reconciliation of right-of-use assets and lease liabilities	(221)	(1,209)
(7) Reconciliation of exchange differences on translation of foreign operations	(174,850)	(174,850)
(7) Reconciliation of remeasurements of defined benefit plans	(135,696)	(129,054)
Other	(23,198)	(11,665)
Subtotal	(228,104)	(218,865)
(6) Reconciliation of tax effects	(27,209)	(25,637)
Reconciliation of non-controlling interests	(374)	(523)
Total	¥(255,687)	¥(245,025)

Reconciliations of profit or loss and comprehensive income for the fiscal year ended December 31, 2019 (January 1, 2019 - December 31, 2019)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
						Millions of yen
Net sales	¥3,525,600	¥ (18,061)	¥ (296)	¥3,507,243		Revenue
Cost of sales	2,201,684	(18,722)	(408)	2,182,554	(2) (3)	Cost of sales
Gross profit	1,323,916	660	112	1,324,689		Gross profit
Selling, general and administrative expenses	997,817	13,169	(12,626)	998,360	(1) (3) (4)	Selling, general and administrative expenses
	—	47,615	(9)	47,606	(1)	Other income
	—	23,547	1,052	24,599	(1)	Other expenses
Operating income	326,098	11,560	11,678	349,336		Operating profit
Non-operating income	28,018	(28,018)	—	—	(1)	
Non-operating expenses	37,293	(37,293)	—	—	(1)	
Ordinary income	316,823	(316,823)	—	—		
Extraordinary income	116,134	(116,134)	—	—	(1)	
Extraordinary loss	25,706	(25,706)	—	—	(1)	
	—	94,366	(76,617)	17,748	(1) (5)	Finance income
	—	21,582	6,741	28,324	(1) (6)	Finance costs
	—	(3,190)	(61)	(3,251)	(1)	Share of profit (loss) of investments accounted for using equity method
Income before income taxes and non-controlling interests	407,251	—	(71,742)	335,510		Profit before tax
Income taxes	108,303	—	(19,085)	89,219	(7)	Income tax expense
Income before non-controlling interests	¥ 298,947	¥ —	¥(52,657)	¥ 246,291		Profit
						Profit attributable to
Profit attributable to owners of parent	292,598	—	(52,487)	240,111		Owners of parent
Profit attributable to non-controlling interests	6,349	—	(170)	6,179		Non-controlling interests
Income before non-controlling interests	298,947	—	(52,657)	246,291		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Net unrealized gain (loss) on available-for-sale securities	(53,518)	—	59,639	6,121	(7)	Net change in fair value of financial assets measured through other comprehensive income
Remeasurements of defined benefit plans	6,926	—	(4,177)	2,749	(7)	Remeasurements of defined benefit plans
		—	(6)	(6)		Share of other comprehensive income of investments accounted for using equity method
				8,864		Total of items that will not be reclassified to profit or loss
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	(11,647)	—	(4,544)	(16,191)		Exchange differences on translation of foreign operations
Deferred gain (loss) on derivative instruments	(864)	—	—	(864)		Effective portion of change in fair value of cash flow hedges
Share of other comprehensive income in affiliates	(2,213)	—	108	(2,105)		Share of other comprehensive income of investments accounted for using equity method
				(19,159)		Total of items that may be reclassified to profit or loss
Total other comprehensive income	¥ (61,317)	¥ —	¥ 51,022	¥ (10,295)		Other comprehensive income, net of tax
Comprehensive income	237,629	—	(1,634)	235,995		Comprehensive income
Comprehensive income attribute to owners of parent	229,223	—	(1,706)	227,517		Comprehensive income attributable to Owners of parent
Comprehensive income attribute to non-controlling interests	8,406	—	72	8,478		Non-controlling interests

Notes on reconciliations of profit or loss and comprehensive income

(1) Reclassifications

Items presented in “Non-operating income,” “Non-operating expenses,” “Extraordinary income,” and “Extraordinary losses” under Japanese GAAP are reclassified as follows under IFRS: Items of financial profit or loss are presented as “Finance income” or “Finance costs,” respectively, and the other items are presented as “Selling, general and administrative expenses,” “Other income,” “Other expenses,” or “Share of profit (loss) of investments accounted for using equity method.”

(2) Cost of sales

The Group reconciled “Cost of sales” since it has changed the valuation method of “Inventories” from the last-in, first-out method to the moving-average method for the Americas operations in accordance with the provisions of IAS 2.

(3) Cost of sales and selling, general and administrative expenses

Under Japanese GAAP, depreciation of property, plant and equipment of the Company and its domestic subsidiaries was computed by the declining-balance method, while the straight-line method was applied to property, plant and equipment of the Company’s overseas subsidiaries. However, under IFRS, the straight-line method is consistently applied to property, plant and equipment of the Group. Due to this change, the Group reconciled “Cost of sales” and “Selling, general and administrative expenses” that include depreciation.

(4) Selling, general and administrative expenses

Under Japanese GAAP, goodwill was amortized on a straight-line method over the period for which goodwill is expected to have an effect. However, under IFRS, the Group discontinued the amortization of goodwill on and after the transition date.

(5) Finance income

Under Japanese GAAP, the Group recognized gain or loss on sales of equity instruments in profit or loss. However, under IFRS, the Group recognized any change in fair value as other comprehensive income for equity instruments designated as those measured at fair value through other comprehensive income, and reconciled “Finance income” in order to transfer the change to retained earnings immediately when the equity instruments are sold.

(6) Finance costs

Under Japanese GAAP, the Group calculated the interest cost by multiplying the defined benefit obligations by the discount rate and the expected return on plan assets by multiplying the plan assets by the expected rate of return on plan assets to recognize them as retirement benefit expenses. However, under IFRS, the Group reconciled “Finance costs” as it recognized net interest by multiplying the defined benefit obligation net of plan assets by the discount rate.

(7) Income tax expense and other comprehensive income

For gain or loss on sales of equity instruments recognized in profit or loss and income taxes on such gain under Japanese GAAP, the Group reconciled “Income tax expense” and “Net change in fair value of financial assets measured through other comprehensive income” since it did not recognize gain or loss on sales of certain equity instruments designated as financial assets measured at fair value through other comprehensive income in profit or loss under IFRS.

In addition, under Japanese GAAP, the Group prorated the amount of remeasurements of net defined benefit liability (assets) on a straight-line method over a certain number of years within the average remaining service period of employees when it was incurred, and recognized the prorated amount in profit or loss from the fiscal year following the year in which it was incurred. However, under IFRS, the Group recognized such amount in other comprehensive income when it was incurred, and reconciled “Remeasurements of defined benefit plans” in order to transfer such amount to “Retained earnings” immediately.

Reconciliations of cash flows for the fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

The major difference between the consolidated statement of cash flows disclosed in accordance with the Japanese GAAP and the consolidated statement of cash flows disclosed under IFRS is that “Lease payments associated with operating leases” previously included in “Cash flows from operating activities” are now included in “Cash flows from financing activities” as “Repayments of lease liabilities” due to the application of IFRS 16. As a result, net cash provided by operating activities increased by ¥41,914 million, and net cash used in financing activities increased by ¥41,914 million.