

# Board of Directors and Statutory Committee Activity Report\* -Toward the Transformation to a Sustainable Solutions Company

## Message from the Chairperson of the Board of Directors



### Scott Trevor Davis

Independent Director,  
Member of the Board  
Chairperson of the Board  
of Directors  
Member of the Nominating  
Committee  
Member of the Compensation  
Committee  
Chairperson of the Governance  
Committee

### Board Performance Effectiveness at Bridgestone

In 2021, I was appointed as the Chairman of the Board of Directors for the first time as an independent director, and I am now entering my third year in this role. As the Chairman of the Board, I would like to share my observations on Bridgestone's continuously improving governance, from the perspective of board performance effectiveness.

Prior to my appointment as Chairperson, the position was held by an executive within the management team. However, as part of the governance reforms in 2020, Mr. Tsuya, a non-executive director, assumed the role of Chairperson, effectively separating the monitoring function of the Board of Directors from the executive side. Looking back, it was a transitional period and I believe it was part of the process to enhance the supervisory function of the Board of Directors by separating it from the executive side and delegating the authority of the Chairman to an external individual.

Upon becoming Chairperson, my first step was to question myself about what was expected of me and to engage in dialogue with the Board members to share our respective concerns. In this process, I identified enhancing the effectiveness of the Board of Directors as a paramount responsibility. However, what does effectiveness mean? It is not just about the general definition of effectiveness but rather the effectiveness within our Company that matters.

The effectiveness of the Board of Directors at Bridgestone does not merely involve fostering vigorous

discussions. It revolves around establishing a Board that possesses an appropriate monitoring function, ensuring the execution of our externally committed business strategies in a transparent, objective and reliable manner, as we strive to become a "sustainable solutions company." Moreover, it entails achieving a "Bridgestone-like" living Board of Directors that embodies the spirit of our Company. For this purpose, it is crucial for directors to actively contribute and express their opinions and engage in meaningful dialogue.

Furthermore, it is important not only to have active discussions within the Board of Directors but also to establish effective collaboration with each committee. Considering our extensive global operations and the presence of multiple subsidiaries, it is essential to be mindful of communication with these entities. The sphere where our governance at Bridgestone comes into play extends beyond Board meetings, encompassing a broader range of activities.

### What the Bridgestone Board Aims for

Now, what is the management strategy that the Board of Directors strives to achieve? The current focus is on realizing the "2030 Long Term Strategy Aspiration," which has been extensively discussed and formulated within the Board. It serves as our guiding principle. Each director considers the significance of proposals and reports presented by the executive team to the Board, both in terms of progress towards the 2030 vision and overall performance. The Board

\* This is a translation of the original Japanese language interview.

constantly evaluate and make decisions while keeping in mind whether the proposed actions align with the long-term goals and if they are the right steps to take at the present moment. In this manner, the Board engages in discussions and decisions by consistently examining what needs to be done at present, working backward from a long-term perspective.

In addition to the overarching roadmap of the “2030 Long Term Strategy Aspiration,” we have a Mid Term Business Plan in place to work towards its realization. This year is particularly significant as it marks the final stages of the 2021-2023 Mid Term Business Plan, where progress toward its objectives is reviewed by the Board of Directors. At the same time, the Company is actively working on shaping the next Mid Term Business Plan for the period of 2024-2026. It may sound peculiar, but we are simultaneously discussing both the “Now” and the “Next.”

As a Board of Directors, our role is focused on governance and monitoring rather than management. Therefore, we closely observe the executive team’s efforts in developing the Mid Term Business Plan, including attending to observe Global EXCO meetings. We also receive explanations from the Global CEO regarding the plan’s creation process during Board meetings. This ensures a high level of communication and collaboration between the Board and the executive team.

### **Bridgestone-like Process of Setting Agenda Items for the Discussion of the Next Mid Term Business Plan**

In order to enrich the discussions on our management strategy, including the next Mid Term Business Plan, we consider agenda setting within the Board of Directors to be crucial. Every April, the Board of Directors engages in deliberations to determine the annual agenda and key topics for discussion. As the Chairperson, I propose the themes and annual schedule for consideration by the Board, while also welcoming suggestions from independent directors for additional or in-depth discussions on specific topics. These proposals cover a wide range of areas, ensuring a balanced and diverse set of themes.

This year, as we delve into discussions regarding the next Mid Term Business Plan to realize our “2030 Long Term Strategy Aspiration” toward a sustainable solutions company, several significant issues were put forward in response to the initial proposal that sustainability should be thoroughly discussed. For example, the proposal highlighted the importance of discussion on technology strategy, as we aim to become a sustainable solutions company, our business model must undergo substantial qualitative changes and

emphasize technological advancements. The other suggested the thorough discussion of enhancement of talent creativity, as nurturing and activating talent within the organization is a crucial element for realization of its strategy. The proposers not only raised the topics but also explained their meaning and significance, often sparking immediate discussions among the Board members. While there are other relevant themes intertwined with our future strategies, they cannot be disclosed at this time. Nonetheless, it is important to note that the Board members actively and proactively seek discussions with a strong sense of ownership and engagement, demonstrating their commitment to the Company’s progress.

Before the Board of Directors’ meeting, the Chairperson, Global CEO and the Representative Executive Officer, the Joint Global COO, and the secretariat participate to review the agenda, the order of presentation, and adequacy of the proposals. Almost every time, there are revisions, which impose a considerable burden on the secretariat, but it is an indispensable process for the operation of the Board of Directors.

Furthermore, after approximately six months from the discussions on agenda setting, we evaluate whether the discussions and set agenda thus far have been sufficient, consider if there are any additional topics that need to be discussed, and reassess if the approach based on the proposed agenda and schedule at the beginning of the fiscal year has been appropriate. We strive to devise processes that maintain a high level of discussion quality by evaluating and making adjustments as necessary. While it may give the impression of distributing topics throughout the year, given the rapidly changing business environment, there is no time to waste. Therefore, we aim to conclude all proposed agenda within six months.

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**A Balanced Board of Directors Portfolio  
Enabling Vibrant and Diverse Discussions**

The discussions on the set agenda involve a total of 12 directors, including eight independent directors who bring diverse expertise and knowledge. In terms of their role as independent directors on the Monitoring Board, they are expected to provide unique perspectives on how the board is structured and monitored. Being separate from the executive side, independent directors can objectively assess matters. When receiving reports and proposals from the executive team, they examine each item to ensure that the information is comprehensive, logical, and appropriate given the current circumstances, without any biases, implicit agreements, or undue consideration. Additionally, as independent directors are entrusted by the shareholders and represent the interests, they must be mindful of the interests of external stakeholders in their actions. The independent directors, with different perspective and timeframe from executives, contribute to the board by approaching matters in a more long-term manner, reverse-

engineering them to gain a comprehensive understanding of the current priorities and discussion topics. This enables them to bring diverse opinions and information to the board, ultimately supporting sound decision-making and strategic planning within the organization.

Furthermore, as other independent directors also recognize and commend Global CEO Mr. Ishibashi for his commitment to engaging in thorough discussions with board members, which we believe is rare among CEOs in other companies. The Board of Directors is composed of directors with diverse perspectives who represent external interests, creating a balanced composition. Global CEO considers the Board of Directors as a valuable platform for refining his ideas and believe that participating in discussions within the board enables him to effectively explain his viewpoints outside of it, thus ensures comprehensive information is provided for board discussions and takes his time to openly and humbly share his insights and genuine thoughts.

Having served as a director in our Company for 12 years, I can reflect on the initiatives undertaken by the three CEOs during that time. As a result, I am sometimes inclined to offer



rather critical opinions based on what has worked and what hasn't. I also discuss the reasons behind the establishment and importance of the organization, meeting bodies, and other aspects that we currently value. Among the board members, there are individuals who, like myself, have observed the Company for a long time, as well as those with relatively less experience who can bring fresh perspectives. This balanced composition of members contributes to the realization of vibrant discussions in the Board of Directors.

### **Governance Platform for Achieving a Sustainable Solutions Company**

In my interactions with institutional investors, I am often questioned about how close we are to achieving the ideal form of governance. My answer is always the same: "There is no finished state." Each year brings different challenges, and the expectations for governance are constantly evolving. Keeping in mind that there is no perfect state of governance, we continue to explore what we can do to realize our Company's mission and vision. While there may not be a definitive end point, there are always actions that need to be taken in the present.

In our Company's pursuit of becoming a "sustainable solutions company," we engage in an annual process of evaluating the effectiveness of our Board of Directors as they discuss what the Board needs to do. As a Company with Nominating Committee, etc., we recognize the importance of not only the Board of Directors but also the statutory committees, including the Nomination, Compensation, and Audit Committees, as well as advisory committees like the Governance and Compliance Committees, are functioning effectively and fulfill the required activities. We refer to the collective functions of these broader committees as the governance platform. We evaluate the effectiveness of governance over the course of one year, focusing on these entities. At the beginning of each fiscal year, the Board of Directors and statutory committees identify areas for improvement and growth, which are then shared among them. Subsequently, throughout the year, we address these challenges. The committees provide quarterly progress reports and engage in discussions at the Board of Directors as necessary. Towards the end of the year, the Board of Directors and each committee conduct a review, and the Governance Committee, composed solely of independent directors, conducts an overall assessment and proposes a comprehensive summary of the current year and the desired direction for the upcoming year to the Board of Directors. This cycle enables the evaluation and improvement of governance practices.

Specifically, the Nomination Committee assesses the activities required to fulfill its responsibilities while observing other committees and the Board of Directors. To do so, it objectively evaluates whether other committees and the Board of Directors are functioning appropriately from an independent perspective. The Compensation Committee and the Audit Committee are similarly evaluated. Additionally, the executive team is also evaluated as part of the governance process. Through mutual checks and balances, we continually strive for even higher levels of effective governance while holding each other accountable.

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**Message from the Chairperson of the Compensation Committee**



**Yuri Okina**  
 Independent Director,  
 Member of the Board  
 Chairperson of the  
 Compensation Committee  
 Member of the Nominating  
 Committee

**Introduction of Sustainability Incentives**

Bridgestone’s compensation system is divided into fixed and variable components. The variable component has traditionally included short-term and long-term incentives designed to motivate the management team toward enhancing corporate value by linking it to factors such as operating profit and ROIC. While qualitative evaluations, such as research and development achievements that cannot be solely measured by numbers, were previously considered as part of the short-term incentives, there has been a growing recognition in recent years that they should be positioned as incentives for the long-term enhancement of corporate value. In response to this recognition, the Compensation Committee engaged in multiple discussions and decided to introduce a new compensation aspect called “sustainability incentives” in the form of Restricted Stock Units (RSUs) starting in 2022.

In this compensation system, we position sustainability and transformation as initiatives aimed at medium- to long-term enhancement of corporate value. Every year, the Global CEO commits to specific initiatives with defined objectives, and the following year, he evaluates the extent to which they have been achieved. The Company meticulously establishes specific targets for the four goals outlined in the securities report, such as investment in people and achieving carbon neutrality. These targets are aligned with long-term objectives, such as targets for 2030 and 2050, allowing for evaluation and verification at a later stage. The Company sets detailed and diverse indicators for each goal. The Compensation Committee engages in discussions regarding the attainment of these indicators and the progress in achieving the objectives. It also verifies the validity of self-evaluations and conducts

assessments. Based on a comprehensive evaluation of efforts toward medium- to long-term enhancement of corporate value, the committee determines remuneration.

While this process is conducted on an annual basis, the process of setting goals and developing initiatives is also crucial. Sharing these with representative executive officers and executive officers and pursuing sustainability from the same perspective is considered a significant step forward. We have now completed one cycle, from setting goals to evaluation and determining remuneration. Moving forward, we intend to continue discussions within the Compensation Committee, refine goals and processes through trial and error, and evolve while implementing the PDCA (Plan-Do-Check-Act) cycle.

**Points of Discussion in Designing the Compensation System**

The Compensation Committee prioritizes incentives that contribute to the enhancement of corporate value when considering the design of the compensation system. One crucial point of discussion is determining which elements should be linked to variable remuneration. To ensure a certain level of competitiveness as a global company, we take into account the situations of major domestic companies and overseas competitors. Furthermore, we thoroughly examine the remuneration system, considering its alignment with the corporate strategy and mid term business plans, with the aim of promoting the execution of the business strategy. Although the Compensation Committee is composed entirely of independent directors, we actively communicate with representative executive officers, including the Global CEO,

and executive officers to ensure the effectiveness of incentives in the compensation system. The compensation system is carefully designed, and to clearly communicate its intentions, the members of the Compensation Committee have opportunities to directly explain it to the executive team. Through communication with the executive team, the Compensation Committee gains insights and deepens its understanding of issues by hearing different perspectives and getting feedback from people on-site. We incorporate various opinions from the executive team, engaging in ongoing discussions within the Compensation Committee to ensure that the compensation system reflects these inputs.

## Evaluation and Challenges of the Compensation System

The proportion of fixed and variable remuneration differs between top management and executive officers, and it is natural for top management to have a higher ratio of variable remuneration in order to demonstrate their commitment to performance. The inclusion of Performance Share Units (PSUs) that are linked to targets of mid term business plans such as ROE and ROIC, in addition to incentive remuneration linked to short-term operating profit, demonstrates a proactive approach to incorporating incentives for medium- to long-term enhancement of corporate value. However, there may be challenges in relying solely on numerical goals when unforeseen external factors such as COVID-19 can have a significant negative impact. It is also important to consider factors such as different pension systems, labor market structures, and wage trends overseas when evaluating the remuneration of foreign executives and implementing retention measures. We are constantly adapting and improving our compensation system on a daily basis to maintain its fundamental direction while remaining flexible in responding to unforeseen circumstances in a rapidly changing environment.

## Balance between Performance Improvement and Transformation

In order for a company to ensure sustainable growth, both improving performance and driving corporate transformation are necessary. However, these directions may not always align in the short term, so we consider the balance between the two in the design of our compensation system. As mentioned earlier, variable remuneration includes short term incentives linked to operating profit, while mid- to long-term incentives such as PSUs focus on capital efficiency by considering ROIC and ROE. The Company also creates an inverted tree structure internally to ensure ROIC is understood at all levels, making it a tangible profitability target that resonates with on-site operations. On the other hand,

sustainability incentives included within the Bridgestone E8 Commitment encompass elements of transformation.

Sustainability incentives, whether in terms of CO<sub>2</sub> reduction or human capital investments, often take several years to yield results and may not immediately or directly contribute to profit. The Company views the Bridgestone E8 Commitment as encompassing a transformation in which it aims to develop business models aligned with the Bridgestone E8 Commitment in the medium-to long-term. Business model transformation is essential to becoming a sustainable company. That is why our remuneration system allocates half of the long-term incentives to PSUs and the other half to sustainability incentives, emphasizing investments that sufficiently consider the enhancement of medium-to long-term corporate value and prioritize sustainability as the core of the Group's transformation. This serves as a message that signifies our expectations for Bridgestone's future transformation.

I believe that the key areas where the Company should strengthen its transformation are investments in human resources and improving employee engagement. In enhancing medium- to long-term corporate value, it is crucial to create a workplace where employees can feel a sense of growth, and the Company is paying attention to various aspects, including improving the working environment in factories and employee welfare. It is a characteristic of Japanese companies to have extremely low investment in intangible assets, particularly in areas such as investment in people and organizational transformation, which are considered as economic capability investments. This low share of investment compared with other advanced countries is a challenge for the entire Japanese economy. Furthermore, at present, both for Bridgestone and in general, combining intangible assets such as data and intellectual property with manufacturing to provide new value has become a decisive factor. In light of this, I strongly believe that investing in human capital, which includes providing adequate wage levels commensurate with job responsibilities, along with opportunities for growth and a sense of fulfillment at work, to be of utmost importance.

In addition, from a diversity perspective, promoting the advancement of women is also a significant theme for Bridgestone, and I consider increasing the representation of women, including in executive positions, to be an important issue. The top executives, such as the Global CEO and CTO, are earnestly considering women's empowerment, and I find recent initiatives in areas like FemTech to be particularly impressive. While the number of female executives and key positions may still be limited, I highly appreciate the sincere attitude and proactive measures taken to understand and address women's health issues, as demonstrated through initiatives such as promoting employee well-being. I also sense a strong commitment to creating an environment where women can thrive, and I hope to see an increase in the number of women who actively contribute and succeed as time goes on.

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## Message from the Chairperson of the Nominating Committee



### Kenichi Masuda

Independent Director,  
 Member of the Board  
 Chairperson of the Nominating  
 Committee  
 Member of the Compensation  
 Committee  
 Chairperson of the Compliance  
 Committee

### Activities of the Nominating Committee and Director Candidate Selection Process

The composition of the Board of Directors is subject to approval at the Annual Shareholders' Meeting held in March. Once the meeting is concluded, we begin the deliberations for the following year starting from April. We continuously review and consider the composition of the Board of Directors based on the perspective of creating a Board that can handle any given situation. We also engage in ongoing discussions about the ideal composition of the Board. We emphasize not only discussions among the three independent directors of the Nominating Committee but also prioritize regular meetings with the Global CEO and Joint Global COO, as well as hearings from executive officers and senior executives both domestically and globally. Through these interactions, we gain insights into the direction of business strategy and the current status of business execution, while also hearing the expectations for the Board of Directors. In 2022, we held 21 Nominating Committee meetings. In addition to the work of the Nominating Committee, as the chair of the Nominating Committee, I also schedule individual meetings with the Global CEO and independent Board members to hear their opinions and perspectives. Taking all this information into account, we decide on director candidates to be presented at the Annual Shareholders' Meeting for the following year, normally during the autumn to winter period. We report to the Board of Directors no later than around January.

I believe that investing considerable time and effort in the process, engaging in diligent and respectful communication with each individual, and building trust are essential for fulfilling the role of the Nominating Committee. I also feel this is possible thanks to the cooperation of everyone, including the Global CEO, directors, and executives, as well as the dedicated support provided by the secretariat staff. While there are many discussions among the three members of the Nominating Committee, it is valuable to consult with the secretariat before and after these discussions to organize opinions and confirm the direction. I believe that by establishing a well-structured secretariat, we can demonstrate the Company's sincere commitment to governance, with the aim of ensuring the effectiveness of the committee and creating an environment where independent Board members can work comfortably.

### Composition and Philosophy of the Board of Directors

As a company with a Nominating Committee, etc., in place, the primary role of the Board of Directors is to determine the fundamental policies of management and oversee the execution of business operations based on those policies. The main point is whether or not we can create a Board that is capable of fulfilling its supervisory function. Currently, the Board consists of two executive directors who also serve as executive officers, and ten non-executive directors

(including eight independent directors) who are dedicated to oversight and do not participate in the execution of operations. The inclusion of two directors from within the Company among the non-executive directors is based on the belief that it is important to have individuals who understand internal dynamics and the unique needs of the Company engage in oversight from the same perspective as someone from outside the Company. Given that the Board is expected to exercise its supervisory function as a collective body, we emphasize teamwork to enable discussions from diverse perspectives. We believe it is important to have individuals with diverse backgrounds and expertise who can leverage their respective perspectives and specialties when receiving reports and explanations from executive departments. By complementing and supporting each other, we can engage in effective discussions and fulfill our supervisory responsibilities through teamwork.

From a diversity perspective, we place great importance on creating a Board of Directors with individuals who have diverse backgrounds and expertise in various fields. Furthermore, in order to leverage this diversity, we believe that teamwork is crucial. For instance, we strive to form a well-balanced team by including both long-serving and newly appointed members. We can integrate new ideas by having Board members with fresh perspectives and insights, while those who have been with the Company for a longer period can contribute their valuable knowledge and experience. We believe that both perspectives are necessary for effective decision-making and governance.

The current Board members, regardless of whether they come from internal or external backgrounds, all share a common desire to contribute to the improvement of the Company's management from their respective positions and have a genuine intention to be of help and make a difference. They approach discussions with an open mind, attentively listening to the opinions of others, and then express their own views, fostering an atmosphere of open and candid dialogue. The diverse opinions and questions that arise from different backgrounds and perspectives are highly respected, and management has a willingness to actively incorporate ideas for improvement. Creating a Board of Directors where such discussions can continue is the most important task of the Nominating Committee. Therefore, careful consideration is given to the selection of new Board members, taking into account factors such as the balance among the members and the overall dynamics of the Board. To invigorate an organization, a certain level of change is necessary. This is why we regularly consider the composition of the Board of Directors. It is fascinating how the dynamics of a group can significantly change with just one new member. That is why I make it a point to

have individual conversations with each director, striving to understand their personalities, perspectives, and sentiments. Careful consideration is given to selecting members who are suitable and to ensuring that the Board functions in a balanced manner as a whole. We strive to create a harmonious and well-functioning Board by taking into account these factors. Regarding discussions at Board of Directors meetings, I believe the chair of the Board is doing an excellent job in preparing for the meetings.

### **The Role of the Nominating Committee in Succession Planning**

The Nominating Committee actively engages in open discussions with executive departments to contribute to appropriate succession planning. Recognizing that succession planning can be a sensitive topic within an organization, we believe that having a Nominating Committee composed solely of independent directors can be beneficial. This allows for open discussions where executives can clarify their own thoughts and gain fresh insights. While it is true that none of the independent directors have had experience as the CEO of Bridgestone, they are individuals who strive to understand the current state and challenges of the Company and contribute in any way they can to overcome these challenges and make a positive impact. When the Global CEO or Joint Global COO presents at Board meetings, our reactions and questions help them understand the concerns and expectations from an external perspective and enable them to reassess their thinking and communication approach. This allows them to gain confidence in the direction they should take. These aspects, among others, demonstrate the effectiveness and significance of the Board of Directors as a forum. I also sense that other independent directors approach the Board with a similar mindset. Moving forward, I aim to contribute to the Company's transformation and growth of the Board of Directors by promoting teamwork and engaging in meaningful dialogue.



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## Message from the Chairperson of the Audit Committee



**Kenzo Yamamoto**

Independent Director,  
 Member of the Board  
 Chairperson of the Audit  
 Committee

### Reflecting on the Activities of the Audit Committee in 2022

The Audit Committee implements initiatives in line with what is expected of it as part of a company with a Nominating Committee, etc. However, since business activities are dynamic in general, new issues arise on a daily basis. In 2022, we faced various issues such as the restructuring of the diversified products business, the suspension of all manufacturing activities in Russia in response to the situation in Ukraine, and the Company-wide response to cybersecurity. The Audit Committee and the Internal Audit Division work together to ensure internal control due diligence, or appropriate procedures, are being implemented for each of these events. For instance, with regard to cybersecurity, the Audit Committee directly consulted with the departments in charge to confirm the effective implementation of global systems, that lessons were learned, and that countermeasures are in place. We also receive reports from the Internal Audit Division and conduct evaluations. By applying this process to cases such as the ones above and providing direct feedback to management as necessary, we strive to implement a PDCA cycle that ensures the results of audits are utilized in the Company's management.

We have also placed great importance on monitoring the degree of penetration of the Bridgestone E8 Commitment. In the E8, there is a phrase stating, "For the sake of the Earth, which future generations of children have entrusted in our care". Since the Group's business activities are fundamentally

tied to this belief and commitment, it is crucial that employees truly understand and embrace it, and find ways to put it into practice. Over the past three years, it has been challenging to conduct on-site audits due to the COVID-19 pandemic. However, in 2023, we plan to hear directly from employees at factories and sales locations, including at operations overseas. The management and on-site staff of each organization have been actively promoting the Bridgestone E8 Commitment, and I believe it has already gained considerable traction. Nevertheless, as the Audit Committee, we aspire to fulfill our role by further promoting understanding of the E8.

### Collaborative Approaches and Evolution of the Audit Committee and the Internal Audit Division

The Internal Audit Division reports to both the Audit Committee and the Global CEO. This framework allows the Internal Audit Division to work together with the Audit Committee and to respond collectively in situations when it is necessary to interact with management on a one-on-one basis. The management team fully understands this arrangement. Members of the Internal Audit Division attend every meeting of the Audit Committee and listen to the discussions. This enables prompt investigation by the Internal Audit Division in response to any queries raised by Audit Committee members. The Internal Audit Division has

also strengthened its global collaboration by regularly holding coordination meetings with the internal audit departments of BSAM, BSEMIA, and BSCAP. The framework is designed to ensure three lines of defense. Internal Audit Division members also acquire various international audit qualifications, which contributes to the high quality of internal audits.

### **Effective Operation of an Audit Committee Composed Mainly of Independent Directors**

Among the seven Audit Committee members, five are Independent directors with diverse expertise and backgrounds in management, law, and IT. In addition, two experienced former Bridgestone executives, one specializing in finance and accounting and the other in product development and quality, serve as full-time Audit Committee members, responsible for daily information gathering. Risk incidents are regularly shared with Independent Audit Committee members, or as necessary, in real-time. This creates a system in which the members of the Audit Committee can timely grasp the Company's situation.

### **Decision-making Process for the Appointment of a New Audit Firm**

A new audit firm was appointed at the Annual Shareholders' Meeting held in March 2023. The decision regarding the candidate for the audit firm is based on a resolution of the Audit Committee. Many companies tend to use the same audit firm for an extended period, as the auditor must become familiar with and understand the business operations. In Bridgestone's case, the Company highly valued the capabilities, qualifications, and approach of the previous audit firm, and had entrusted them with conducting audits for 22 years. However, at the same time, the Audit Committee has had extensive discussions about how long to continue with the same audit firm, considering aspects of independence, including whether it is independence in appearance alone. Taking into account the rotation system of audit firms in various overseas countries, and as a matter of rule within the Audit Committee itself, we decided to incorporate a process that involves receiving proposals from multiple audit firms at regular intervals and conducting comparative assessments. This deliberation process led us to the decision made this time. The transition between the outgoing and incoming auditors has been going smoothly, and we are satisfied with the progress.

### **Activities in 2023**

I believe that focusing on risk management is crucial as it is the primary responsibility of the Audit Committee. Throughout my long tenure at the Bank of Japan, I gained experience in crisis management, including risk mitigation, system development, and business continuity planning (BCP) during the Great East Japan Earthquake. From that perspective, I appreciate the Company's excellence in identifying global management risks using a top-down approach, forming global teams to ensure thorough evaluations, and enhancing preparedness for emergencies. The Audit Committee aims to assess whether these preparations are sufficient and if each location is equipped to respond in times of crisis. In addition to evaluating the degree of penetration of the Bridgestone E8 Commitment, the Company is also focusing on enhancing its understanding of sustainability initiatives and efforts related to talent creativity in 2023.

During Audit Committee meetings, a significant amount of time is dedicated to conducting hearings with executives, including representative executive officers, as well as with responsible departments. The committee also receives reports from the Internal Audit Division, and conducts hearings with external auditors. As mentioned earlier, the quality of our internal audits has evolved from operational audits to encompass management audits. The management structure now includes an executive framework centered around the Global Executive Committee (Global EXCO), resulting in clear management policies and the implementation of activities in various regions in alignment with these policies. The Audit Committee is committed to advancing and strengthening auditing practices in line with the Company's management transformation and the corresponding evolution of governance.