

# Message from the Global CFO

**Flexible, agile and resilient management is required to overcome any future unexpected events we may face.**

In February 2021, the Bridgestone Group announced its Mid Term Business Plan for three years from 2021 to 2023. By activating this plan, we are vigorously pushing forward with the company's transformation into a sustainable solutions company with an "aggressive approach" and "challenging" spirit.

In 2021, we focused on rebuilding earning power and execution of our premium business strategy, etc. As a result, we achieved a significant increase in revenue and profit, and net income from continuing operations reversed the first loss in 69 years recorded in 2020 to profit and achieved a record net income for the first time in seven years. We attained a strong start, achieving the 2022 targets of the Mid Term Business Plan (2021–2023) for revenue, adjusted operating profit, adjusted operating profit margin, as well as ROE and ROIC a year ahead of schedule.

Since I assumed the role of Global CFO in September 2021, the role has been strengthened and enhanced to execute the Mid Term Business Plan (2021–2023) more reliably and more speedily in order to sustainably enhance our corporate value. In the process, we have established an extended Global CFO role that consolidates procurement, IT infrastructure, SCM, and business planning, in addition to the finance function. We are also promoting global optimization while strengthening global connectivity across the company.

The environment surrounding our Group's operation is becoming even more challenging with the increase in raw material prices, heightened geopolitical risks and ongoing inflation. In addition to addressing near-term issues, the extended Global CFO role is responsible for optimizing the entire value chain based on our mid-long term vision. With an eye on Bridgestone's transformation to a sustainable solutions company, we are steering efforts to promote the Mid Term Business Plan (2021–2023) and beyond, under the "Bridgestone E8 Commitment," launched in March 2022, as the axis.

We have also begun managing our business with a greater awareness of capital cost and portfolio optimization, with ROIC as the critical management index. ROIC for 2021 improved by 3.9 percentage points from the previous year to 9.0%, thanks to company-

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wide penetration activities using the ROIC tree and appropriate scrutiny and evaluation of investments. We will continue to invest based on global optimization with our "aggressive approach" toward the execution of the 700 billion JPY strategic resources (from 2021 to 2023) set forth in our Mid Term Business Plan (2021–2023).

Our basic policy regarding capital allocation is to secure the internal reserves necessary "to rebuild earning power in our core business," "for strategic growth investments to expand our solutions business as growth businesses," and "for strategic growth investments into our exploratory business," while maintaining an appropriate financial position and conducting shareholder returns. With respect to shareholder returns, we strive to achieve stable and continuous increase of dividend payment amount by sustainably enhancing our corporate value, through a consolidated payout ratio of 40%. In addition, in February 2022, we decided to acquire Treasury Stock of 100 billion JPY (up to) as an agile capital management for improving our capital efficiency.

In the process of realizing our vision, I believe it is important to accelerate the transformation of our business model and focus on execution and delivering results. It is also necessary to steadily generate synergies through M&A. To this end, we must look ahead from a mid-long term perspective, incorporating not only self-assessments but also objective external evaluations and provide firm direction as a compass for the company's management. Flexible, agile and resilient management is required to overcome any future unexpected events we may face.

I also view non-financial KPIs related to sustainability as important components of corporate value. CO<sub>2</sub> emissions, for example, are an important KPI we consider as we accelerate our approaches toward carbon neutrality. For this reason, we incorporate sustainability factors into our consideration of strategic resource allocations, such as using internal carbon pricing to evaluate CO<sub>2</sub> emission costs and reduction benefits.

As the Global CFO, I will continue to strive for the sustainable improvement of our corporate value through enhanced engagement and information disclosure with investors and other stakeholders.