

Consolidated Financial Statements
for the Fiscal Year Ended December 31, 2020
<under IFRS>

February 16, 2021

These financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), have been translated for reference only from the original Japanese-language document "KESSAN TANSIN." The entire format is pursuant to the requirements or guidance of Tokyo Stock Exchange. As for the contents, if there are any differences or discrepancies between the original Japanese-language and the English translation, the original Japanese-language supersedes this English translation.

Company name: **Bridgestone Corporation** Stock exchange listings: Tokyo, Nagoya, Fukuoka
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 Scheduled date of annual shareholders' meeting: March 26, 2021
 Scheduled date of securities report submission: March 26, 2021
 Scheduled date of dividend payment commencement: March 29, 2021
 Supplementary information for the financial statements to be prepared: Yes
 Meeting to explain the financial statements to be held: Yes

(All amounts are rounded off the nearest million yen)

1. Consolidated Results for Fiscal 2020 (January 1, 2020 - December 31, 2020)

(1) Consolidated Operating Results (Percentage figures represent changes from the previous year)

	Revenue		Adjusted operating profit*		Operating profit		Profit attributable to owners of parent		Comprehensive income	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
Fiscal 2020	2,994,524	(14.6)	222,932	(35.0)	64,114	(81.6)	(23,301)	—	(109,099)	—
Fiscal 2019	3,507,243	—	343,122	—	349,336	—	240,111	—	235,995	—

* The Group utilizes "adjusted operating profit" in place of the previously employed J-GAAP-based operating income. For details on reconciliations, please refer to page 19, "4. Consolidated Financial Statements and Primary Notes (6) Notes to the Consolidated Financial Statements (Segment information)."

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of parent	Ratio of profit before tax to total assets	Operating profit margin
	Yen	Yen	%	%	%
Fiscal 2020	(33.09)	(33.09)	(1.0)	0.7	2.1
Fiscal 2019	332.31	331.76	10.0	7.9	10.0

(Reference) Share of profit (loss) of investments accounted for using equity method:
 Fiscal 2020: ¥(1,429) million
 Fiscal 2019: ¥(3,251) million

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
	Yen in millions	Yen in millions	Yen in millions	%	Yen
Fiscal 2020	4,189,327	2,195,291	2,149,958	51.3	3,053.35
Fiscal 2019	4,277,016	2,402,477	2,349,378	54.9	3,336.92

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Yen in millions	Yen in millions	Yen in millions	Yen in millions
Fiscal 2020	526,947	(155,378)	18,077	810,546
Fiscal 2019	505,029	(261,875)	(240,458)	432,924

2. Dividends

	Dividend per share				
	1st quarter end	2nd quarter end	3rd quarter end	Year -end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	–	80.00	–	80.00	160.00
Fiscal 2020	–	50.00	–	60.00	110.00
Fiscal 2021 (Projection)	–	60.00	–	70.00	130.00

	Total dividends	Dividend payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of parent (Consolidated)
	Yen in millions	%	%
Fiscal 2019	113,881	48.1	4.9
Fiscal 2020	77,454	–	3.4
Fiscal 2021 (Projection)		35.1	

3. Consolidated Financial Results Forecasts for Fiscal 2021 (January 1, 2021 - December 31, 2021)

(Percentage figures represent changes from the previous year)

	Revenue		Adjusted operating profit		Profit attributable to owners of parent		Basic earnings per share
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen
Fiscal 2021	3,010,000	0.5	260,000	16.6	261,000	–	370.67

(Note) As announced in “LafargeHolcim to acquire Firestone Building Products from Bridgestone Americas” dated January 7, 2021, 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., the U.S. subsidiary of LafargeHolcim Ltd., on January 6, 2021 (local time).

In accordance with the Company’s decision of the sale, the Company plans to categorize FSBP and its subsidiaries as discontinued operations from the first quarter of the fiscal year ending December 31, 2021. Accordingly, profit from discontinued operations on the consolidated statement of profit or loss is planned to be presented separately from the continuing operations.

Accordingly, in the Consolidated Financial Results Forecasts for Fiscal 2021, revenue and adjusted operating profit show figures for continuing operations and exclude discontinued operations. Furthermore, the results of fiscal 2020 used for calculating year-on-year changes include discontinued operations.

Amounts for profit attributable to owners of parent, and basic earnings per share for continuing operations only are as follows:

- Profit attributable to owners of parent: ¥150,000 million
- Basic earnings per share: ¥213.03

* Notes

(1) Changes in principal subsidiaries during fiscal 2020: No

(Changes in specified subsidiaries involving change in consolidation scope)

(2) Changes in accounting policies and changes in accounting estimates

- 1) Changes in accounting policies required by IFRS : No
- 2) Changes in accounting policies other than 1) : No
- 3) Changes in accounting estimates : No

(3) Number of issued shares (common stock)

1) Total number of issued shares at period end (including treasury stock):

December 31, 2020	713,698,221 shares
December 31, 2019	761,536,421 shares

2) Number of shares of treasury stock at period end

December 31, 2020	9,566,508 shares
December 31, 2019	57,481,254 shares

3) Average number of shares outstanding during the period

Fiscal 2020 year ended December 31, 2020	704,107,787 shares
Fiscal 2019 year ended December 31, 2019	722,556,662 shares

(Reference) Summary of Non-consolidated Results

Non-consolidated Results for Fiscal 2020 (January 1, 2020 - December 31, 2020)

(1) Non-consolidated Operating Results (Percentage figures represent changes from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit	
	Yen in millions	%	Yen in millions	%	Yen in millions	%	Yen in millions	%
Fiscal 2020	691,683	(20.2)	65,377	(38.0)	96,155	(52.7)	82,914	(63.1)
Fiscal 2019	867,267	(2.5)	105,388	(22.1)	203,233	(7.2)	224,719	27.6

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal 2020	117.76	117.57
Fiscal 2019	311.00	310.49

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Yen in millions	Yen in millions	%	Yen
Fiscal 2020	2,097,389	1,294,084	61.6	1,833.40
Fiscal 2019	1,975,746	1,312,152	66.2	1,859.05

(Reference) Equity: Fiscal 2020 ¥1,290,959 million Fiscal 2019 ¥1,308,876 million

(Note) The figures presented in the non-consolidated operating results have been calculated in accordance with generally accepted accounting principles in Japan (J-GAAP).

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Statement regarding appropriate use of forward-looking statements and other notes

Forecasts based on our projections and plans for the future in this document contain unpredictable elements that may cause fluctuations. As such, they do not constitute guarantees by the Company of the achievement of those forecasts. Accordingly, actual business results may differ substantially from the Company's current assessment. For further details, please see page 6, "Projections for fiscal 2021" under "2. Operating Results (1) Analysis of Operating Results."

* Adoption of International Financial Reporting Standards (IFRS)

The Company has adopted International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ended December 31, 2020. Presentation of figures in the consolidated financial statements for the previous year also conforms to IFRS.

For differences between IFRS and J-GAAP in the financial statements, please refer to page 28, "First-time adoption of IFRS" under "4. Consolidated Financial Statements and Primary Notes (6) Notes to the Consolidated Financial Statements."

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1. Notice Concerning Dividends of Surplus for the Fiscal Year Ended December 31, 2020

The Company has determined dividends of surplus with the record date of December 31, 2020 at its meeting of the Board of Directors held on the same date of this report. The details are set forth below.

(1) Dividend details

	Determined amount	Latest dividends forecast (announced on November 12, 2020)	Fiscal 2019 dividend result
Record date	December 31, 2020	December 31, 2020	December 31, 2019
Cash dividends per share	¥60	¥55	¥80
Total dividends	¥42,248 million	–	¥56,325 million
Effective date	March 29, 2021	–	March 25, 2020
Source of dividend	Retained earnings	–	Retained earnings

(2) Reason

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

For the fiscal year ended December 31, 2020, the Company achieved significant improvement in its adjusted operating profit and profit compared to the previous forecast, and accordingly plans to submit a proposal to the 102nd Annual Shareholders' Meeting to be held on March 26, 2021 to approve a year-end dividend of ¥60 per share, an increase of ¥5.

(Reference) Breakdown of annual dividends

	Cash dividends per share		
	2nd quarter end	Year-end	Total
Fiscal 2020	¥50	¥60	¥110
Fiscal 2019	¥80	¥80	¥160

2. Operating Results

The Bridgestone Corporation is referred to as the “Company,” and the Company and its subsidiaries are referred to as the “Group.”

The Group has adopted IFRS from the first quarter of the fiscal year ended December 31, 2020. Accordingly, for the purposes of comparative analysis, financial results for the previous fiscal year have been adjusted in line with the IFRS.

(1) Analysis of Operating Results

[Operating results for fiscal 2020]

Starting in the first quarter of the fiscal year ended December 31, 2020, the Group has changed our segment classifications. Furthermore, the figures for the previous fiscal year have been restated in accordance with the new segment classifications to make year-on-year comparisons.

1) Sales and earnings

	Fiscal 2020	Fiscal 2019	Increase (Decrease)	
			Amount	Ratio
	Yen in billions	Yen in billions	Yen in billions	%
Revenue	2,994.5	3,507.2	(512.7)	(15)
Adjusted operating profit	222.9	343.1	(120.2)	(35)
Operating profit	64.1	349.3	(285.2)	(82)
Profit before tax	29.3	335.5	(306.2)	(91)
Profit (loss) attributable to owners of parent	(23.3)	240.1	(263.4)	—

The Group positioned 2020 as the first year of its “Third Foundation” (Bridgestone 3.0) and put forth a new vision to “continue to provide social value and customer value, as a sustainable solutions company, even in 2050.” To realize this vision, we formulated the “Mid-Long Term Business Strategy,” which we have steadily advanced.

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

For the full year, we experienced a large decline in tire demand compared to the previous fiscal year. As a result, the Group’s revenue in fiscal 2020 were ¥2,994.5 billion, a year-on-year decrease of 15%; adjusted operating profit was ¥222.9 billion, a year-on-year decrease of 35%; operating profit was ¥64.1 billion, a year-on-year decrease of 82%; profit before tax was ¥29.3 billion, a year-on-year decrease of 91%; and profit (loss) attributable to owners of parent was a loss of ¥23.3 billion, compared to a profit of ¥240.1 billion in the previous fiscal year.

Amid these conditions, the Company continued its group-wide organizational response prioritizing the lives and safety of our employees, customers, and business partners. At the same time, we reopened in earnest our manufacturing and sales activities to capture the recovery in tire demand in various regions. All plants that were temporarily closed in the second quarter have already reopened operations, gradually increasing their operating rates. Additionally, from a financial standpoint, we are continuing to implement thorough expense and cost control.

The Group sees this crisis as an opportunity for medium- to long-term innovation and is focused on strengthening our true competitive strengths under a new management system. We are strongly promoting expense and cost structure reform to “rebuild earning power.” In September 2020, the Group began discussions to close its Bethune plant in France, and in November, it closed its Port Elizabeth plant in South Africa. In addition, in January 2021, the Group announced it would sell its US building materials business. Furthermore, as a personnel and organizational strategy to support its Mid-Long Term Business Strategy,” at the start of 2021, the Group reorganized its management execution system and personnel system.

2) Segment information

		Fiscal 2020	Fiscal 2019	Increase (Decrease)	
				Amount	Ratio
		Yen in billions	Yen in billions	Yen in billions	%
Japan	Revenue	762.6	918.1	(155.5)	(17)
	Adjusted operating profit	64.6	108.8	(44.2)	(41)
Americas	Revenue	1,407.9	1,661.7	(253.7)	(15)
	Adjusted operating profit	139.9	184.3	(44.4)	(24)
Europe, Russia, Middle East, India and Africa	Revenue	564.3	640.1	(75.8)	(12)
	Adjusted operating profit (loss)	(17.6)	15.0	(32.6)	—
China, Asia-Pacific	Revenue	394.6	462.8	(68.2)	(15)
	Adjusted operating profit	24.6	36.2	(11.6)	(32)
Other	Revenue	121.1	173.0	(51.9)	(30)
	Adjusted operating profit	1.4	3.8	(2.4)	(64)
Consolidated Results	Revenue	2,994.5	3,507.2	(512.7)	(15)
	Adjusted operating profit	222.9	343.1	(120.2)	(35)

In our results in each segment for the fiscal year ended December 31, 2020, after COVID-19 caused a global decline in tire demand in the first and second quarters, we saw some level of demand recovery in the third and fourth quarters. However, for the full year, demand declined largely compared to fiscal 2019, and results for each segment are as follows.

[Japan]

Unit sales of tires for passenger cars and light trucks and unit sales of tires for trucks and buses decreased substantially compared to fiscal 2019. As a result, revenue was ¥762.6 billion, a year-on-year decrease of 17%, and adjusted operating profit was ¥64.6 billion, a year-on-year decrease of 41%.

[Americas]

Unit sales of tires for passenger cars and light trucks in North America and unit sales of tires for trucks and buses decreased substantially compared to fiscal 2019. As a result, revenue was ¥1,407.9 billion, a year-on-year decrease of 15%, and adjusted operating profit was ¥139.9 billion, a year-on-year decrease of 24%.

[Europe, Russia, Middle East, India and Africa]

In Europe, unit sales of tires for passenger cars and light trucks and unit sales of tires for trucks and buses decreased substantially compared to fiscal 2019. As a result, revenue was ¥564.3 billion, a year-on-year decrease of 12%, and adjusted operating profit (loss) was a loss of ¥17.6 billion, compared to a profit of ¥15.0 billion in fiscal 2019.

[China, Asia-Pacific]

Unit sales of tires for passenger cars and light trucks and unit sales of tires for trucks and buses decreased substantially compared to fiscal 2019. As a result, revenue was ¥394.6 billion, a year-on-year decrease of 15%, and adjusted operating profit was ¥24.6 billion, a year-on-year decrease of 32%.

(Note) The amounts for segment results include inter-segment transactions that are eliminated in calculating the consolidated results.

[Projections for fiscal 2021]

The Group's operating environment will continue to require careful attention due to various uncertain factors such as fluctuations in exchange rates and the prices of raw materials and feedstock, and international political conditions, in addition to the spread of COVID-19 in countries around the world. Amid such an environment, the Group projects the following overall business results through the steady implementation of Mid Term Business Plan initiatives.

		Fiscal 2021 projections	Fiscal 2020 results	Increase (Decrease)		
				Amount	Ratio	
		Yen in billions	Yen in billions	Yen in billions	%	
Full-year	Revenue	3,010.0	2,994.5	15.5	1	
	Adjusted operating profit	260.0	222.9	37.1	17	
	Profit (loss) attributable to owners of parent	261.0	(23.3)	284.3	–	
Exchange Rate	Full-year	Yen	Yen	–	% (3)	
		yen/dollar	103			107
		yen/euro	126			122

(Note) As announced in “LafargeHolcim to acquire Firestone Building Products from Bridgestone Americas” dated January 7, 2021, 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., the U.S. subsidiary of LafargeHolcim Ltd., on January 6, 2021 (local time).

In accordance with the Company's decision of the sale, the Company plans to categorize FSBP and its subsidiaries as discontinued operations from the first quarter of the fiscal year ending December 31, 2021. Accordingly, profit from discontinued operations on the consolidated statement of profit or loss is planned to be presented separately from the continuing operations.

Accordingly, in the Consolidated Financial Results Forecasts for Fiscal 2021, revenue and adjusted operating profit show figures for continuing operations and exclude discontinued operations. Furthermore, the results of fiscal 2020 used for calculating year-on-year changes include discontinued operations.

Amounts for profit attributable to owners of parent, and basic earnings per share for continuing operations only are as follows:

- Profit attributable to owners of parent: ¥150,000 million
- Basic earnings per share: ¥213.03

Cautionary Notes Concerning Forward-Looking Statements

Forecasts based on our projections and plans for the future in this document contain unpredictable elements that may cause fluctuations. As such, they do not constitute guarantees by the Company of the achievement of those forecasts. Accordingly, actual business results may differ substantially from the Company's current assessment.

(2) Analysis of Financial Position

1) Financial position

(Current assets)

Current assets were ¥2,054.5 billion, increasing by ¥136.1 billion, or 7%, from the end of the previous fiscal year, as trade and other receivables decreased by ¥87.6 billion and inventories decreased by ¥138.9 billion, but cash and cash equivalents increased by ¥377.6 billion.

(Non-current assets)

Non-current assets were ¥2,134.8 billion, decreasing by ¥223.8 billion, or 9%, from the end of the previous fiscal year, as property, plant and equipment decreased by ¥163.0 billion mainly due to the recognition of impairment losses.

(Current liabilities)

Current liabilities were ¥1,041.7 billion, increasing by ¥146.4 billion, or 16%, from the end of the previous fiscal year, as trade and other payables decreased by ¥32.9 billion, but bonds and borrowings increased by ¥158.5 billion.

(Non-current liabilities)

Non-current liabilities were ¥952.3 billion, decreasing by ¥26.9 billion, or 3%, from the end of the previous fiscal year, as bonds and borrowings increased by ¥6.5 billion, but net defined benefit liability decreased by ¥19.9 billion and deferred tax liabilities decreased by ¥15.8 billion. Furthermore, total interest-bearing debt^(Note) recorded in both current liabilities and non-current liabilities increased by ¥161.7 billion, or 19%, from the end of the previous fiscal year, to ¥1,006.2 billion.
(Note) Interest-bearing debt includes bonds and borrowings and lease liabilities.

(Equity)

Total equity was ¥2,195.3 billion, decreasing by ¥207.2 billion, or 9%, from the end of the previous fiscal year, as we recorded loss attributable to owners of parent of ¥23.3 billion, decreasing by ¥91.5 billion due to dividends (owners of parent).

As a result, total assets at the end of fiscal 2020 was ¥4,189.3 billion, decreasing by ¥87.7 billion, or 2%, from the end of the previous fiscal year. Furthermore, the ratio of equity attributable to owners of parent to total assets for fiscal 2020 was 51.3%, decreasing by 3.6 percentage points from the end of the previous fiscal year.

2) Cash flows

	Fiscal 2020	Fiscal 2019	Increase (Decrease)
			Amount
	Yen in billions	Yen in billions	Yen in billions
Cash flows from operating activities	526.9	505.0	21.9
Cash flows from investing activities	(155.4)	(261.9)	106.5
Cash flows from financing activities	18.1	(240.5)	258.5
Effect of exchange rate change on cash and cash equivalents	(12.0)	(1.3)	(10.7)
Net increase (decrease) in cash and cash equivalents	377.6	1.4	376.2
Cash and cash equivalents at beginning of year	432.9	433.9	(1.0)
Cash and cash equivalents included in assets held for sale	–	(2.4)	2.4
Cash and cash equivalents at end of year	810.5	432.9	377.6

The Group's cash and cash equivalents (hereinafter "net cash") increased ¥377.6 billion during fiscal 2020, to ¥810.5 billion, compared with a decrease of ¥1.0 billion during the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities increased ¥21.9 billion compared with the previous fiscal year, to ¥526.9 billion. The principal contributors in that cash provided included profit before tax of ¥29.3 billion, compared with ¥335.5 billion in the previous fiscal year, depreciation and amortization of ¥267.5 billion, compared with ¥269.7 billion in the previous fiscal year, impairment losses of ¥89.6 billion, compared with ¥10.5 billion in the previous fiscal year, decrease in trade and other receivables of ¥56.9 billion, compared with ¥21.9 billion in the previous fiscal year, and decrease in inventories of ¥128.8 billion, compared with ¥7.3 billion in the previous fiscal year. These contributors offset income taxes paid of ¥71.7 billion, compared with ¥79.6 billion in the previous fiscal year.

(Cash flows from investing activities)

Net cash used in investing activities decreased ¥106.5 billion compared with the previous fiscal year, to ¥155.4 billion. The principal contributors in that cash used included purchase of property, plant and equipment of ¥200.7 billion, compared with ¥270.5 billion in the previous fiscal year.

(Cash flows from financing activities)

Net cash provided by financing activities totaled ¥18.1 billion, compared with ¥240.5 billion used in the previous fiscal year. The principal contributors in that cash provided were proceeds from short-term debt of ¥309.4 billion, compared with ¥292.9 billion in the previous fiscal year, and proceeds from long-term debt of ¥116.6 billion, compared with ¥30 million in the previous fiscal year. These contributors offset the repayments of short-term debt of ¥248.4 billion, compared with ¥257.7 billion in the previous fiscal year, repayments of lease liabilities of ¥57.1 billion, compared with ¥55.0 billion in the previous fiscal year, dividends paid (owners of parent) of ¥91.5 billion, compared with ¥117.7 billion in the previous fiscal year, and dividends paid (non-controlling interests) of ¥7.5 billion, compared with ¥10.0 billion in the previous fiscal year.

3) Trends in cash flow indicators

	Fiscal 2019	Fiscal 2020
Ratio of equity attributable to owners of parent to total assets (%)	54.9	51.3
Ratio of equity attributable to owners of parent to total assets on market value basis (%)	67.0	56.9
Interest-bearing debt to cash flow ratio (years)	1.7	1.9
Interest coverage ratio (times)	33.5	37.7

(Note) *Ratio of equity attributable to owners of parent to total assets: Total equity attributable to owners of parent / Total assets*

Ratio of equity attributable to owners of parent to total assets on market value basis: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Interest payments

- * All indices are calculated using consolidated financial figures.
- * Market capitalization is calculated as closing share price at the end of period × number of issued shares at the end of period (excluding treasury stock).
- * For cash flow, the figure for net cash provided by operating activities in the consolidated statements of cash flows is used. For interest-bearing debt, the sum for all liabilities in the consolidated statement of financial position for which interest is paid is used. For interest payments, the figure for interest expenses paid in the consolidated statements of cash flows is used.
- * As the transition date to IFRS was January 1, 2019 and the Company has adopted IFRS from the start of the fiscal year ended December 31, 2020, cash flow indicators for the period prior to the fiscal year ended December 31, 2018 are not presented.

(3) Basic Policy for the Appropriation of Profits and Dividends for Fiscal 2020 and 2021

Regarding the interests of shareholders as an important management priority, the Company follows a basic policy of strengthening our management base in preparation for future business developments while working to improve business results. In regard to distributing profits to shareholders, the Company conducts shareholder returns while maintaining an appropriate financial position and securing the internal reserves necessary to rebuild earning power mainly in our core businesses and for strategic growth investments to expand our solutions business, one of our growth businesses. In determining dividend payments, the Company comprehensively evaluates factors including business results, financial positions for the relevant fiscal period, medium-term earnings forecasts, investment plans, and cash flows. Based on these considerations, the Company strives to live up to the expectations of shareholders by striving to achieve continuous increases of dividend payment amount through a stable consolidated payout ratio of 40% by sustainably enhancing our corporate value. The Company pays dividends twice a year, comprising year-end and interim cash dividends. Year-end cash dividends are subject to a resolution of the annual shareholders' meeting, while interim cash dividends are subject to a resolution of the Board of Directors. Further, the Company strives to strengthen the long-term stability of our management base by using internal reserves to improve and expand production and sales systems and advance R&D activities in Japan and overseas.

For fiscal 2020, the Company plans to pay a cash dividend of ¥110 per share, comprising a year-end cash dividend of ¥60 per share and an interim cash dividend of ¥50 per share.

For fiscal 2021, the Company plans to pay a cash dividend of ¥130 per share, comprising an interim cash dividend of ¥60 per share and a year-end cash dividend of ¥70 per share.

3. Basic Policy on the Selection of Accounting Standard

The Group has voluntarily adopted the International Financial Reporting Standards (IFRS) with respect to its consolidated financial statements commencing with fiscal 2020 with the aim of heightening the quality of the Group's business management.

4. Consolidated Financial Statements and Primary Notes**(1) Consolidated Statement of Financial Position**

	As of January 1, 2019 (Transition date)	As of December 31, 2019	As of December 31, 2020
	Millions of yen	Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents	433,916	432,924	810,546
Trade and other receivables	781,916	755,344	667,761
Inventories	645,924	630,162	491,240
Other financial assets	25,867	14,311	7,277
Other current assets	78,435	80,643	76,279
Subtotal	1,966,059	1,913,385	2,053,104
Non-current assets held for sale	1,788	5,023	1,425
Total current assets	1,967,847	1,918,408	2,054,529
Non-current assets			
Property, plant and equipment	1,515,042	1,555,170	1,392,141
Right-of-use assets	322,670	298,569	290,122
Goodwill	41,382	98,346	97,646
Intangible assets	49,710	113,664	117,481
Investments accounted for using equity method	48,014	47,071	24,543
Other financial assets	217,306	140,462	113,222
Deferred tax assets	57,379	60,711	49,409
Other non-current assets	33,327	44,616	50,234
Total non-current assets	2,284,830	2,358,608	2,134,798
Total assets	4,252,677	4,277,016	4,189,327

	As of January 1, 2019 (Transition date)	As of December 31, 2019	As of December 31, 2020
	Millions of yen	Millions of yen	Millions of yen
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	497,173	453,069	420,140
Bonds and borrowings	191,556	135,442	293,978
Lease liabilities	52,097	52,827	53,966
Income taxes payable	35,404	51,506	34,978
Other financial liabilities	24,996	27,628	29,342
Provisions	33,080	34,931	64,806
Other current liabilities	123,190	138,980	144,526
Subtotal	957,495	894,383	1,041,736
Liabilities directly associated with non-current assets held for sale	–	953	12
Total current liabilities	957,495	895,336	1,041,748
Non-current liabilities			
Bonds and borrowings	209,977	405,514	412,060
Lease liabilities	271,179	250,685	246,187
Other financial liabilities	11,824	12,937	13,937
Net defined benefit liability	207,928	211,619	191,679
Provisions	24,212	23,348	23,730
Deferred tax liabilities	46,613	44,243	28,491
Other non-current liabilities	29,077	30,856	36,205
Total non-current liabilities	800,810	979,203	952,288
Total liabilities	1,758,306	1,874,539	1,994,036
Equity			
Common stock	126,354	126,354	126,354
Capital surplus	121,998	121,998	122,116
Treasury stock	(32,648)	(232,330)	(38,657)
Other components of equity	118,815	42,661	(59,851)
Retained earnings	2,105,280	2,290,696	1,999,996
Total equity attributable to owners of parent	2,439,799	2,349,378	2,149,958
Non-controlling interests	54,572	53,099	45,333
Total equity	2,494,371	2,402,477	2,195,291
Total liabilities and equity	4,252,677	4,277,016	4,189,327

(2) Consolidated Statement of Profit or Loss

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
	Millions of yen	Millions of yen
Revenue	3,507,243	2,994,524
Cost of sales	2,182,554	1,906,553
Gross profit	1,324,689	1,087,971
Selling, general and administrative expenses	998,360	907,200
Other income	47,606	32,019
Other expenses	24,599	148,676
Operating profit	349,336	64,114
Finance income	17,748	8,431
Finance costs	28,324	23,654
Impairment loss related to shares using equity method	—	18,196
Share of profit (loss) of investments accounted for using equity method	(3,251)	(1,429)
Profit before tax	335,510	29,266
Income tax expense	89,219	48,997
Profit (loss)	246,291	(19,731)
Profit (loss) attributable to		
Owners of parent	240,111	(23,301)
Non-controlling interests	6,179	3,571
Profit (loss)	246,291	(19,731)
Earnings (loss) per share		
Basic earnings (loss) per share (Yen)	332.31	(33.09)
Diluted earnings (loss) per share (Yen)	331.76	(33.09)

(3) Consolidated Statement of Comprehensive Income

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
	Millions of yen	Millions of yen
Profit (loss)	246,291	(19,731)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of financial assets measured through other comprehensive income	6,121	1,708
Remeasurements of defined benefit plans	2,749	5,478
Share of other comprehensive income of investments accounted for using equity method	(6)	(140)
Total of items that will not be reclassified to profit or loss	8,864	7,046
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(16,191)	(94,748)
Effective portion of change in fair value of cash flow hedges	(864)	79
Share of other comprehensive income of investments accounted for using equity method	(2,105)	(1,747)
Total of items that may be reclassified to profit or loss	(19,159)	(96,415)
Other comprehensive income, net of tax	(10,295)	(89,369)
Comprehensive income	235,995	(109,099)
Comprehensive income attributable to		
Owners of parent	227,517	(108,005)
Non-controlling interests	8,478	(1,095)
Comprehensive income	235,995	(109,099)

(4) Consolidated Statement of Changes in Equity

Fiscal year ended December 31, 2019

	Equity attributable to owners of parent							
	Common stock	Capital surplus	Treasury stock	Stock acquisition rights	Other components of equity			Net change in fair value of financial assets measured through other comprehensive income
					Exchange differences on translation of foreign operations	Effective portion of change in fair value of cash flow hedges		
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at January 1, 2019	126,354	121,998	(32,648)	3,452	–	1,742	113,620	
Profit	–	–	–	–	–	–	–	
Other comprehensive income	–	–	–	–	(18,968)	(2,066)	6,115	
Total comprehensive income	–	–	–	–	(18,968)	(2,066)	6,115	
Purchase of treasury stock	–	–	(200,004)	–	–	–	–	
Disposal of treasury stock	–	–	322	(177)	–	–	–	
Dividends	–	–	–	–	–	–	–	
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	(61,058)	
Other changes	–	–	–	–	–	–	–	
Total transactions with owners, etc.	–	–	(199,682)	(177)	–	–	(61,058)	
Balance at December 31, 2019	126,354	121,998	(232,330)	3,275	(18,968)	(325)	58,678	

	Equity attributable to owners of parent					
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Total				
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at January 1, 2019	–	118,815	2,105,280	2,439,799	54,572	2,494,371
Profit	–	–	240,111	240,111	6,179	246,291
Other comprehensive income	2,325	(12,594)	–	(12,594)	2,299	(10,295)
Total comprehensive income	2,325	(12,594)	240,111	227,517	8,478	235,995
Purchase of treasury stock	–	–	(234)	(200,237)	–	(200,237)
Disposal of treasury stock	–	(177)	(144)	0	–	0
Dividends	–	–	(117,701)	(117,701)	(10,028)	(127,729)
Transfer from other components of equity to retained earnings	(2,325)	(63,383)	63,383	–	–	–
Other changes	–	–	–	–	77	77
Total transactions with owners, etc.	(2,325)	(63,560)	(54,696)	(317,938)	(9,951)	(327,889)
Balance at December 31, 2019	–	42,661	2,290,696	2,349,378	53,099	2,402,477

Fiscal year ended December 31, 2020

	Equity attributable to owners of parent						
	Common stock	Capital surplus	Treasury stock	Stock acquisition rights	Other components of equity		
					Exchange differences on translation of foreign operations	Effective portion of change in fair value of cash flow hedges	Net change in fair value of financial assets measured through other comprehensive income
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at January 1, 2020	126,354	121,998	(232,330)	3,275	(18,968)	(325)	58,678
Profit (loss)	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	(93,289)	315	1,706
Total comprehensive income	–	–	–	–	(93,289)	315	1,706
Purchase of treasury stock	–	–	(3)	–	–	–	–
Disposal of treasury stock	–	–	193,677	(150)	–	–	–
Dividends	–	–	–	–	–	–	–
Changes in ownership interests of owners in subsidiaries under control	–	118	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	(11,094)
Other changes	–	–	–	–	–	–	–
Total transactions with owners, etc.	–	118	193,674	(150)	–	–	(11,094)
Balance at December 31, 2020	126,354	122,116	(38,657)	3,125	(112,257)	(9)	49,290

	Equity attributable to owners of parent					
	Other components of equity		Retained earnings	Total	Non-controlling interests	Total
	Remeasurements of defined benefit plans	Total				
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at January 1, 2020	–	42,661	2,290,696	2,349,378	53,099	2,402,477
Profit (loss)	–	–	(23,301)	(23,301)	3,571	(19,731)
Other comprehensive income	6,564	(84,703)	–	(84,703)	(4,665)	(89,369)
Total comprehensive income	6,564	(84,703)	(23,301)	(108,005)	(1,095)	(109,099)
Purchase of treasury stock	–	–	–	(3)	–	(3)
Disposal of treasury stock	–	(150)	(193,526)	0	–	0
Dividends	–	–	(91,531)	(91,531)	(7,507)	(99,037)
Changes in ownership interests of owners in subsidiaries under control	–	–	–	118	871	990
Transfer from other components of equity to retained earnings	(6,564)	(17,659)	17,659	–	–	–
Other changes	–	–	–	–	(36)	(36)
Total transactions with owners, etc.	(6,564)	(17,809)	(267,398)	(91,415)	(6,672)	(98,087)
Balance at December 31, 2020	–	(59,851)	1,999,996	2,149,958	45,333	2,195,291

(5) Consolidated Statement of Cash Flows

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit before tax	335,510	29,266
Depreciation and amortization	269,749	267,454
Impairment losses	10,542	89,622
Increase (decrease) in net defined benefit liability	2,710	(13,196)
Interest and dividend income	(16,626)	(7,598)
Interest expenses	16,020	13,426
Foreign currency exchange loss (gain)	5,152	4,905
Impairment loss related to shares using equity method	—	18,196
Share of loss (profit) of investments accounted for using equity method	3,251	1,429
Loss (gain) on sale of fixed assets	(30,418)	(24,192)
Business and plant restructuring expenses	2,635	42,821
Loss on retirement of fixed assets	5,718	6,905
Decrease (increase) in trade and other receivables	21,875	56,908
Decrease (increase) in inventories	7,292	128,837
Increase (decrease) in trade and other payables	(40,807)	(7,524)
Increase (decrease) in accrued consumption taxes	(4,543)	14,340
Other	(4,881)	(16,806)
Subtotal	583,179	604,791
Interest and dividends received	16,535	7,835
Interest paid	(15,096)	(13,960)
Income taxes paid	(79,589)	(71,719)
Net cash provided by (used in) operating activities	505,029	526,947
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(270,530)	(200,677)
Proceeds from sale of property, plant and equipment	38,758	38,857
Payments for purchase of intangible assets	(11,256)	(17,436)
Proceeds from sale of investment securities	87,091	19,755
Payments of long-term loans receivable	(2,071)	(4,450)
Collection of loans receivable	1,210	3,489
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(110,354)	(1,873)
Other	5,275	6,957
Net cash provided by (used in) investing activities	(261,875)	(155,378)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
	Millions of yen	Millions of yen
Cash flows from financing activities		
Proceeds from short-term debt	292,943	309,432
Repayments of short-term debt	(257,682)	(248,436)
Proceeds from long-term debt	30	116,615
Repayments of long-term debt	(23,361)	(3,353)
Proceeds from issuance of bonds	200,000	-
Redemption of bonds	(70,000)	-
Repayments of lease liabilities	(55,002)	(57,132)
Purchase of treasury stock	(200,004)	(3)
Dividends paid (owners of parent)	(117,679)	(91,524)
Dividends paid (non-controlling interests)	(9,954)	(7,501)
Other	251	(21)
Net cash provided by (used in) financing activities	(240,458)	18,077
Effect of exchange rate changes on cash and cash equivalents	(1,293)	(12,025)
Net increase (decrease) in cash and cash equivalents	1,403	377,621
Cash and cash equivalents at beginning of period	433,916	432,924
Cash and cash equivalents included in assets held for sale	(2,395)	-
Cash and cash equivalents at end of period	432,924	810,546

(6) Notes to the Consolidated Financial Statements**(Notes regarding going concern assumption)**

Not applicable

(Segment information)**(1) Overview of reporting segments**

The Group's reporting segments are components of the Group for which discrete financial information is available, and that the Board of Directors and the Management Committee regularly review in order to decide the allocation of business resources and assess operating 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 Strategic Business Units (SBU)—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) Segment revenue and business results

Revenue and business results of the continuing operations by reportable segment of the Group are as follows. 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, 2019

(Millions of yen)

	Reportable segments					Other (Note 1)	Corporate or elimination	Consoli- dated total
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia- Pacific	Total			
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

Fiscal year ended December 31, 2020

(Millions of yen)

	Reportable segments					Other (Note 1)	Corporate or elimination	Consoli- dated total
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia- Pacific	Total			
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) "Other" includes the sporting goods business and the bicycles business that the Company operates.

Reconciliation from adjusted operating profit to profit before tax

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Adjusted operating profit (Note 2)	343,122	222,932
Adjusted items (income) (Note 3)	27,396	467
Adjusted items (expenses) (Note 5)	21,181	159,285
Operating profit	349,336	64,114
Finance income	17,748	8,431
Finance costs	28,324	23,654
Impairment loss related to shares using equity method	–	18,196
Share of profit (loss) of investments accounted for using equity method	(3,251)	(1,429)
Profit before tax	335,510	29,266

(Note 2) For adjusted operating profit, adjusted items (income and expenses) are excluded from operating profit.

(Note 3) The major breakdown of adjusted items (income) is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Insurance claim income	130	305
Business and plant restructuring income	14	162
Other gain with huge amounts related to one time event	(Note 4) 27,252	–
Adjusted items (income)	27,396	467

(Note 4) Gains on the sale of land are recorded.

(Note 5) The major breakdown of adjusted items (expenses) is as follows:

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Impairment losses	(Note 6) 10,542	(Note 7) 89,622
Cost of sales (loss on disaster)	–	(Note 8) 11,685
Other expenses (loss on disaster)	584	(Note 9) 3,747
Business and plant restructuring expenses	(Note 10) 2,635	(Note 11) 42,821
Other expense with huge amounts related to one time event (Note 12)	7,420	11,410
Adjusted items (expenses)	21,181	159,285

(Note 6) The major breakdown of impairment losses was impairment in property, plant and equipment. The carrying amount has been reduced to the recoverable amount and recorded mainly for operating assets with reduced profitability, assets to be disposed of through retirement or sale, and idle assets with no plans for use.

(Note 7) The major breakdown of impairment losses is presented in Impairment of non-financial assets.

(Note 8) 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 9) 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 cancelled due to official requests and declarations by the national and local governments to prevent the spread of COVID-19.

(Note 10) This was primarily the recording of expenses relating to the sale of an overseas raw materials plant.

(Note 11) 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 12) This was the recording of expenses relating to inspections, repairs, etc. of the affected standard bicycles and power assist bicycles following the recall of certain models of standard bicycles and power assist bicycles manufactured by Bridgestone Cycle Corporation, a Bridgestone consolidated subsidiary.

(Impairment of non-financial assets)

Impairment losses in the fiscal year ended December 31, 2020 of ¥95,376 million (¥5,754 million of that recorded as business and plant restructuring expenses) are mainly due to the following reasons.

(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 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 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%.

In addition, this impairment loss was recorded in “other expenses” in the consolidated statement of profit or loss.

(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 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 carrying amount of idle assets in the Vietnamese passenger vehicle tire business was reduced by ¥9,196 million 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 related for business use in the Thai small and medium mining and construction vehicle tire business was reduced by ¥17,442 million 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.

In addition, this impairment loss was recorded in “other expenses” in the consolidated statement of profit or loss.

(3) “Japan” segment

The carrying amount of assets for business use in the Japanese anti-vibration rubber business was reduced by ¥6,210 million 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 calculated based on the value of a third-party appraisal determined using the market approach. The fair value hierarchy level is 3.

In addition, this impairment loss was recorded in “other expenses” in the consolidated statement of profit or loss.

(4) Aircraft tires business

The carrying amount of assets for business use in the aircraft tire business was reduced by ¥8,296 million 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.

In addition, this impairment loss was recorded in “other expenses” in the consolidated statement of profit or loss.

(Impairment of investments accounted for using equity method)

Impairment loss on investments accounted for using equity method recognized in the fiscal year ended December 31, 2020 of ¥18,196 million is mainly the result of the carrying amount of assets related to investments in TIREHUB, LLC, which is a jointly controlled entity in the “Americas” segment being reduced by ¥17,032 million 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 equity method” in the consolidated statement of profit or loss.

(Selling, general and administrative expenses)

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

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Sales fare	182,756	155,546
Advertising and sales promotion expenses	115,168	97,442
Employee benefit expenses	279,158	264,847
Depreciation and amortization	89,534	89,906
Research and development expenses (Note)	106,202	95,205
Other	225,543	204,254
Total	998,360	907,200

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

(Other income and other expenses)

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

(1) Other income

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Gain on sale of fixed assets	(Note 1) 30,418	(Note 2) 24,192
Settlement package and compensation	5,738	804
Other	11,450	7,023
Total	47,606	32,019

(Note 1) Mainly gains on the sale of land.

(Note 2) Mainly gains on the sale of warehouses.

(2) Other expenses

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Impairment losses (Note 1)	10,542	89,622
Business and plant restructuring expenses (Note 2)	2,635	42,821
Loss on retirement of fixed assets	5,718	6,905
Other	5,704	9,329
Total	24,599	148,676

(Note 1) The major breakdown of "Impairment losses" is presented in "Impairment of non-financial assets."

(Note 2) The major breakdown of "Business and plant restructuring expenses" is presented in "Segment information."

(Finance income and finance costs)

The breakdown of “Finance income” and “Finance costs” is as follows:

(1) Finance income

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Interest income (Note)	10,269	4,958
Dividend income (Note)	6,357	2,640
Other	1,122	832
Total	17,748	8,431

(2) Finance costs

(Millions of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Interest expenses (Note)	16,020	13,426
Net interest of defined benefit plans	5,216	3,742
Foreign exchange loss	3,772	3,188
Other	3,315	3,298
Total	28,324	23,654

(Note) “Interest income” and “Interest expenses” are in relation to financial assets and financial liabilities measured at amortized cost. In addition, “Dividend income” is in relation to financial assets measured at fair value through other comprehensive income.

(Per share information)**(1) Basic earnings (loss) per share**

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

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

(2) Diluted earnings (loss) per share

Diluted earnings (loss) per share and its basis for the calculation is as follows:

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

(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.

(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., the U.S. subsidiary of LafargeHolcim Ltd., on January 6, 2021 (local time).

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

Accordingly, profit from discontinued operations on the consolidated statement of profit or loss is planned to be 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 business strategy, we deemed that the best course of action was to sell FSBP to Holcim Participations (US) Inc., the US 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 growth investments in its solutions business.

Furthermore, following this sale, we plan to remove 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 First half of 2021 (planned)

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 We will determine the sales value after adjusting FSBP's operating capital and other factors to a company value of \$3.4 billion.

Gain (loss) on sales We expect to record net profit from discontinued operations of approximately ¥200.0 billion as a gain on sales (after tax) in our fiscal 2021 consolidated statements of profit or loss. Furthermore, the gain on sales may change due to forex rates and other factors.

Pre-sale equity ratio 100%

Sale equity ratio 100% (planned)

Post-sale equity ratio 0% (planned)

(First-time adoption of IFRS)

The Group prepared its condensed quarterly 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 (hereinafter the “transition date”) 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 “First-time Adoption of International Financial Reporting Standards” (hereinafter “IFRS 1”) allows exemptions from 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” (hereinafter “IFRS 9”) 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 “Leases” (hereinafter “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 at 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)

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	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

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
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		Net defined benefit liability
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

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
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	IFRSs	Notes	Line items under IFRSs
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	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

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
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		Net defined benefit liability
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

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
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 items between Japanese GAAP and IFRS to comply with provisions of IFRS. The major reclassifications are as follows:

- 1) Accounts receivable - other, which were 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 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 (asset) 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	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)

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
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 owners of parent	292,598	–	(52,487)	240,111		Profit attributable to Owners of parent
Profit attributable to non-controlling interests	6,349	–	(170)	6,179		Non-controlling interests

(Millions of yen)

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRSs	Notes	Line items under IFRSs
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 attributable to
Comprehensive income attribute to owners of parent	229,223	–	(1,706)	227,517		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 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.

(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 (asset) 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.

5. Other

(1) Changes in Members of the Board of Directors

1) New Members of the Board of Directors		Current occupation in parentheses
To be assumed after approval at the Company's Annual Shareholders' Meeting on March 26, 2021		
Member of the Board Global COO and Representative Executive Officer, Global CAO, BSJP CEO Responsible for BSJP; Concurrently responsible for Japan Tire Business	Masahiro Higashi	[Global COO and Representative Executive Officer, Global CAO, BSJP CEO Responsible for BSJP; Concurrently responsible for Japan Tire Business]
2) Re-elected Members of the Board of Directors		Current occupation in parentheses
To be assumed after approval at the Company's Annual Shareholders' Meeting on March 26, 2021		
Member of the Board Global CEO and Representative Executive Officer	Shuichi Ishibashi	[Member of the Board Global CEO and Representative Executive Officer]
Member of the Board	Scott Trevor Davis	[Member of the Board]
Member of the Board	Yuri Okina	[Member of the Board]
Member of the Board	Kenichi Masuda	[Member of the Board]
Member of the Board	Kenzo Yamamoto	[Member of the Board]
Member of the Board	Keikou Terui	[Member of the Board]
Member of the Board	Seiichi Sasa	[Member of the Board]
Member of the Board	Yojiro Shiba	[Member of the Board]
Member of the Board	Yoko Suzuki	[Member of the Board]
Member of the Board	Hideo Hara	[Member of the Board]
Member of the Board	Tsuyoshi Yoshimi	[Member of the Board]

* Mr. Scott Trevor Davis, Ms. Yuri Okina, Mr. Kenichi Masuda, Mr. Kenzo Yamamoto, Mr. Keikou Terui, Mr. Seiichi Sasa, Mr. Yojiro Shiba and Ms. Yoko Suzuki are candidates for outside directors as set forth in Article 2(xv) of the Companies Act.

3) Members of the Nominating Committee Current occupation in parentheses

To be assumed after approval at the Board Meeting on March 26, 2021

Member of the Board	Scott Trevor Davis	[Member of the Board]
Member of the Board	Yuri Okina	[Member of the Board]
Member of the Board	Kenichi Masuda	[Member of the Board]

* Mr. Scott Trevor Davis, Ms. Yuri Okina and Mr. Kenichi Masuda are candidates for outside directors as set forth in Article 2(xv) of the Companies Act.

4) Members of the Audit Committee Current occupation in parentheses

To be assumed after approval at the Board Meeting on March 26, 2021

Member of the Board	Kenzo Yamamoto	[Member of the Board]
Member of the Board	Keikou Terui	[Member of the Board]
Member of the Board	Seiichi Sasa	[Member of the Board]
Member of the Board	Yojiro Shiba	[Member of the Board]
Member of the Board	Yoko Suzuki	[Member of the Board]
Member of the Board	Hideo Hara	[Member of the Board]
Member of the Board	Tsuyoshi Yoshimi	[Member of the Board]

* Mr. Kenzo Yamamoto, Mr. Keikou Terui, Mr. Seiichi Sasa, Mr. Yojiro Shiba and Ms. Yoko Suzuki are candidates for outside directors as set forth in Article 2(xv) of the Companies Act.

5) Members of the Compensation Committee Current occupation in parentheses

To be assumed after approval at the Board Meeting on March 26, 2021

Member of the Board	Scott Trevor Davis	[Member of the Board]
Member of the Board	Yuri Okina	[Member of the Board]
Member of the Board	Kenichi Masuda	[Member of the Board]

* Mr. Scott Trevor Davis, Ms. Yuri Okina and Mr. Kenichi Masuda are candidates for outside directors as set forth in Article 2(xv) of the Companies Act.