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

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

Results of Operations

Business environment

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

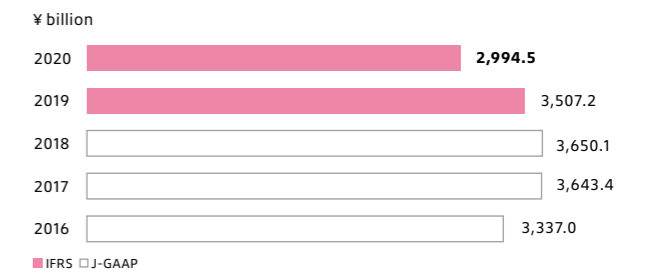
Revenue, adjusted operating profit, and operating profit

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

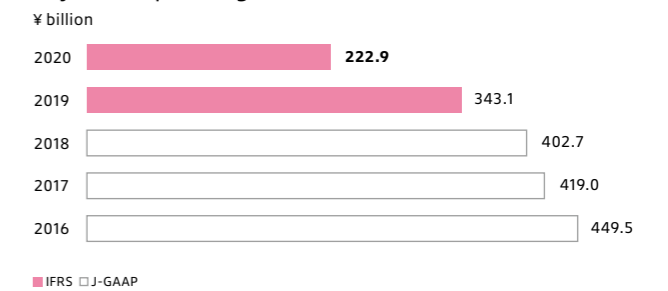
For the same reason, adjusted operating profit decreased by ¥120.2 billion (\$1,161 million), or 35%, from the previous fiscal year, to ¥222.9 billion (\$2,154 million). In addition, operating profit decreased by ¥285.2 billion (\$2,756 million), or 82%, from the previous fiscal year, to ¥64.1 billion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

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

Revenue



Adjusted Operating Profit

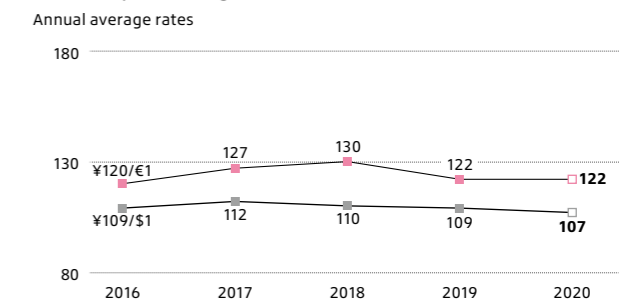


Adjusted Operating Profit Margin

Year	IFRS	J-GAAP
2020	7.4	13.5
2019	9.8	13.5
2018	11.0	13.5
2017	11.5	13.5
2016	13.5	13.5

% of net sales

Currency Exchange Rates



The Bridgestone Corporation is referred to as the "Company," and the Company and its subsidiaries are referred to as the "Group" in this publication.

Forward-Looking Statements

The descriptions of projections and plans that appear in this annual report are "forward-looking statements." They involve known and unknown risks and uncertainties in regard to such factors as product liability, currency exchange rates, raw material costs, labor-management relations, and political stability. These and other variables could cause the Bridgestone Group's actual performance and results to differ from management's projections and plans.

Performance by business segment

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

• Japan

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

• Americas

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

• Europe, Russia, Middle East, India and Africa

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

• China, Asia-Pacific

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

Revenue by Business Segment

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

¥ billion

Composition of Revenue by Business Segment

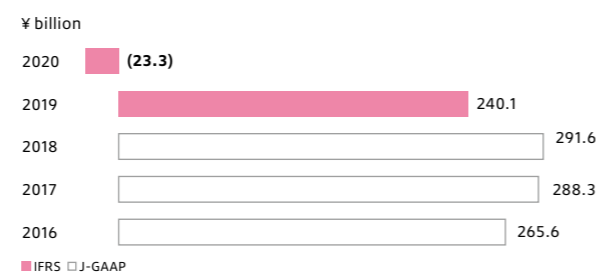
	Net of inter-segment transactions	
	2020	2019
Japan	24.4%	24.9%
Americas	45.0%	45.1%
Europe, Russia, Middle East, India and Africa	18.0%	17.4%
China, Asia-Pacific	12.6%	12.6%

% of net sales

Profit attributable to owners of parent

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

Profit Attributable to Owners of Parent



Financial Condition

Assets

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

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

Liabilities

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

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

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

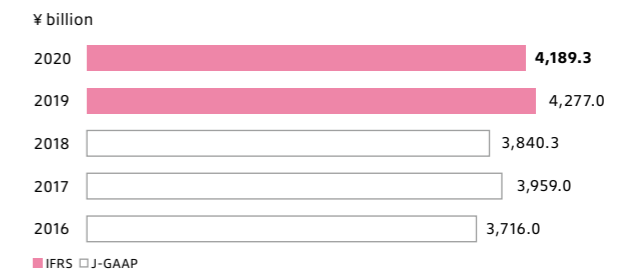
Note: Interest-bearing debt includes bonds and borrowings and lease liabilities.

Equity

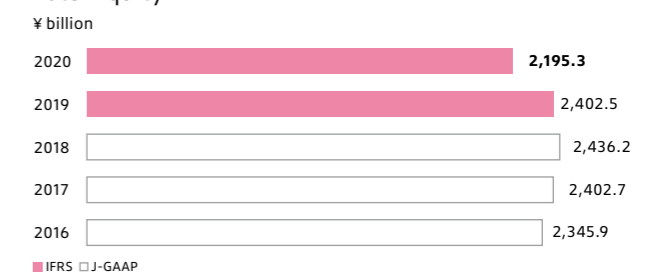
Total equity was ¥2,195.3 billion (\$21,211 million), decreasing by ¥207.2 billion (\$2,002 million), or 9%, from the end of the previous fiscal year, as the Group recorded loss attributable to owners of parent of ¥23.3 billion (\$225 million), due in part to dividends paid (owners of parent) of ¥91.5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

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

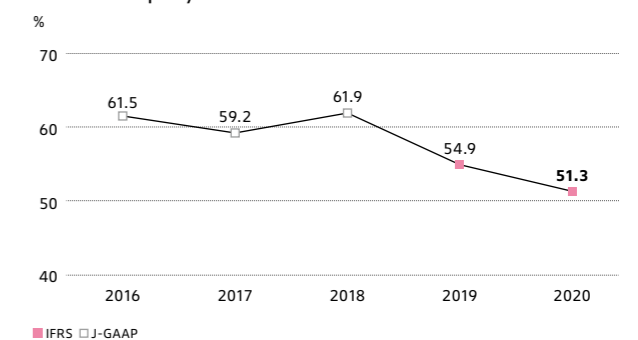
Total Assets



Total Equity



Ratio of Equity Attributable to Owners of Parent



Return on Invested Capital

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

Net Return on Shareholders' Equity

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

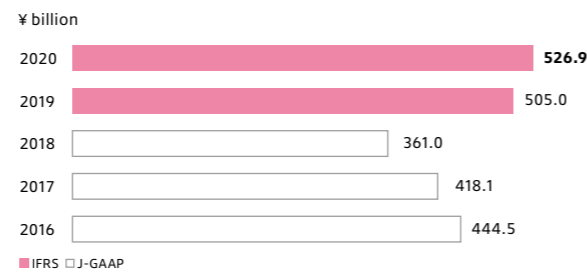
Cash flow

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

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

Cash Flow

Net cash provided by operating activities



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

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

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

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

Capital financing and liquidity

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

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

Dividend

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

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

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

Eleven-Year Summary

Bridgestone Corporation and Subsidiaries
Years ended December 31

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	IFRS			J-GAAP							J-GAAP
Millions of yen, except per share data and financial ratios											
Revenue	¥2,994,524	¥ 3,507,243	¥ 3,650,111	¥ 3,643,428	¥ 3,337,017	¥ 3,790,251	¥ 3,673,965	¥ 3,568,091	¥ 3,039,738	¥ 3,024,356	¥ 2,861,615
Adjusted operating profit	222,932	343,122	402,732	419,047	449,549	517,248	478,038	438,132	285,995	191,322	166,450
Profit (loss) attributable to owners of parent	(23,301)	240,111	291,642	288,276	265,551	284,294	300,589	202,054	171,606	102,970	98,914
Total equity	2,195,291	2,402,477	2,436,162	2,402,739	2,345,900	2,282,012	2,146,658	1,862,964	1,417,348	1,165,672	1,176,147
Total assets	4,189,327	4,277,016	3,840,270	3,959,039	3,716,030	3,795,847	3,960,908	3,577,045	3,039,799	2,677,344	2,706,640
Ratio of equity attributable to owners of parent to total assets	51.3	54.9	61.9	59.2	61.5	58.2	52.4	50.5	45.2	42.2	42.2
Per share in yen:											
Net income (loss)											
Basic	(33.09)	332.31	387.95	375.67	339.04	362.99	383.84	258.10	219.26	131.56	126.19
Diluted	(33.09)	331.76	387.28	375.01	338.52	362.52	383.39	257.81	219.10	131.50	126.16
Equity attributable to owners of parent per share	3,053.35	3,336.92	3,163.71	3,115.69	2,915.85	2,820.48	2,650.47	2,305.64	1,754.30	1,444.53	1,458.01
Cash dividends	110.00	160.00	160.00	150.00	140.00	130.00	100.00	57.00	32.00	22.00	20.00
Capital expenditure	271,900	328,159	268,421	234,850	194,111	253,581	296,396	274,862	245,644	201,390	182,648
Depreciation and amortization	267,454	269,749	200,477	200,377	188,062	202,334	188,333	176,180	155,066	158,044	170,663
Research and development expenses	95,205	106,202	103,551	99,792	95,403	94,978	94,147	89,098	82,801	83,982	85,154

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

The status of the Companies as documented in this report is subject to diverse risks from both operational and accounting perspectives. This section provides an overview of the major categories of risk that may have a bearing on investors' decisions.

Management is aware of these risks, and systematic efforts are made to prevent or minimize the impact of related adverse events on operations. Nonetheless, the potential exists for unforeseen or unpredictable events related to the risk factors described below to affect the operations, business results, and financial position of the Companies. All references to possible future developments in the following text are as of March 26, 2021.

Major Categories of Operational Risk

Demand and macroeconomic conditions

The Companies conduct research and development (R&D), purchasing, manufacturing, logistics, marketing, sales, procurement, and other functional activities on a global basis. Operating results and financial position are thus subject to trends in demand, interest rates, exchange rates, share prices, and other economic variables in different countries and regions. In fiscal 2020, the consolidated revenue split by market (for external customers only) was 46% from operations in the Americas; 21% from Europe, Russia, the Middle East, India and Africa; 19% from Japan; and 14% from China, Asia-Pacific. An economic downturn in any of these regions could exert a major adverse effect on the operating results and financial position of the Companies.

The Companies' business is closely tied to the automobile industry, therefore, the operating results and financial position of the Companies are strongly affected by business conditions in the global automobile industry. Demand for replacement tires in each country where the Companies operate depends on national trends in consumer spending, automotive fuel prices, and a range of other local market variables. Any combination of trends that might cause demand for replacement tires to decline, or to grow at a slower rate, could adversely affect the operating results and financial position of the Companies.

Demand for large and ultra-large off-the-road radial tires for construction and mining vehicles—which are the core of

the Companies' mining, manufacturing, and construction solutions businesses—and for certain products, such as conveyor belts, is affected by businesses in the resource industries and in the civil engineering and construction industries. Trends in those business conditions that might cause demand to decline, or to grow at a slower rate, could adversely affect the operating results and financial position of the Companies.

Moreover, demand for winter tires (which make a sizable contribution to sales in regions such as Japan, Europe, and North America) is closely related to seasonal weather trends. A mild winter and a decline in demand in these regions could adversely affect to some extent the operating results and financial position of the Companies.

Legal, regulatory, and litigation risk

The Companies' operations around the world are subject to diverse national (and, in Europe, supranational) laws and regulations, including trade, investment, foreign exchange transactions, taxation systems (including transfer pricing), anticompetitive practices, environmental protection, and protection of personal information.

Laws and regulations that affect the Companies' business activities have been established and introduced. These include labeling systems and regulations regarding tire performance and regulations regarding chemicals in Japan and overseas. Accordingly, new or revised laws and regulations could limit the scope of business activities, raise operating costs, or otherwise adversely affect the operating results and financial position of the Companies.

The Companies could be subject to lawsuits or to investigations by governmental authorities in regard to their business activities in Japan or in overseas markets. In the event that an important lawsuit is filed or investigation by governmental authorities has commenced, the Companies' operating results and financial position could be affected.

Operational Disruptions

Natural disasters, wars, terrorist actions, civil strife, and social and political unrest

Globally dispersed operations expose the Companies to a broad range of natural and man-made risks that could constitute force majeure, including natural disasters, such

as earthquakes and floods, wars, terrorist actions, civil strife, boycotts, epidemics, energy supply problems, and general social or political unrest. Such events have the potential to adversely affect the operating results and financial position of the Companies.

Also, factors such as abrupt, substantial fluctuations in political or economic matters in Japan or overseas could hinder the continuation of the Companies' business activities. Such events have the potential to affect the Companies' operating results and financial position.

The risk of earthquakes is particularly high in Japan where the Companies have numerous key facilities. Management systematically promotes the seismic reinforcement of the Companies' facilities in Japan based on an order of priority determined from the results of site analyses using seismic diagnostics. In addition, a business continuity plan (BCP) has been created in order to facilitate a swift response to an earthquake and the early restoration of operations. Operation of this BCP is subject to regular review and improvement. The Companies have also formulated a BCP designed to prioritize the wellbeing and safety of employees, families, and all related people while minimizing Company losses stemming from the spread of H1N1 influenza, COVID-19, and other diseases caused by unknown pathogens. The content of this BCP is continuously expanded based on feedback from its implementation.

Despite the preventive measures, such serious risks could disrupt or reduce the scale of operations or cause damage to facilities, necessitating expensive repairs or restoration work. The costs involved could adversely affect the Companies' operating results and financial position.

Operational disruptions at those plants where the production of certain products or materials is concentrated have the potential to cause greater problems due to the increased possibility of a supply interruption, which could result in claims for compensation based on breach of supply contracts, or in an erosion of customer confidence in the Companies as a reliable source of supply. Any such developments could have a significantly adverse impact on the operating results and financial position of the Companies.

Information Technology (IT) Systems Failures

The complex operations of the Companies are increasingly dependent on the smooth, round-the-clock functioning of various computing and IT systems. Failure of such technical systems due to external causes, such as natural disasters, cyberattacks, or through human error, could result in the halt of major operations and services and theft or leakage of confidential or personal information and data, with the possibility of hindering further business activities. Such incidents bear the potential to damage the Companies' brand image and lower social trust, with adverse effects on performance and financial standing. The Companies have instituted comprehensive measures to safeguard IT and computing systems and related data, and to upgrade network security on an ongoing basis in order to prevent systemic failures.

Industrial Action

Prolonged strikes or other industrial action could cause operational disruptions, and thereby adversely affect the operating results and financial position of the Companies. Management strives to minimize the risk of labor unrest by fostering good labor management relations throughout global operations.

Risks related to climate change

Amid growing global interest in climate change and an accelerated move toward a low-carbon society as represented by the Paris Agreement, the Companies recognize the risks and opportunities related to climate change and reflect them in their business strategy. These risks include stronger typhoons and increased frequency of flooding and drought, which pose the risk of interrupting business activities. There are also risks related to the procurement of raw materials as a result of changing rainfall patterns leading to poor harvesting of natural rubber. Furthermore, reduced snowfall bears the risk of lowering demand for winter tires. Moreover, climate change has led to the ongoing introduction of systems and regulations related to carbon taxes, reduction obligations for CO₂ emissions, emissions trading schemes, and fuel-efficient tires in Japan and overseas.

If the R&D expenses required to meet the changing needs of clients and customers do not produce sufficient results, the Companies' operating results and financial position may be adversely affected in ways that include limitations on business activities and increased costs.

Based on the Companies' awareness of the risks and opportunities surrounding climate change, the Companies have set a long-term goal for 2050 of becoming carbon neutral, with targets set for 2030 to 1) reduce absolute CO₂ emissions (Scope 1*¹ and 2*²) by 50% compared with 2011 levels and 2) contribute to a global CO₂ emissions reduction across the lifecycles and value chains (Scope 3*³) of the Companies' products and services that exceeds five times the amount of CO₂ emissions generated by the Companies' operations by 2030. The Companies are working to meet these targets with efforts that include developing new technology that helps reduce CO₂ emissions, reducing emissions at production bases, and promoting the development and sales of fuel-efficient tires.

*1 CO₂ emissions produced directly by a company (boilers at company factories, etc.)

*2 Indirect CO₂ emissions generated from the production of energy by an external provider and then utilized by a company

*3 CO₂ emissions produced throughout a product's lifecycle, including procurement of raw materials, logistics, customer use, and disposal/recycling

Corporate and brand image

The Companies strive to enhance their corporate and brand image consistently through global business activities. Systematic efforts are made to ensure compliance with all applicable laws and regulations and to promote the highest ethical standards. Programs are in place across the Companies to prevent industrial incidents, particularly fires and any accidents that could cause occupational injuries, and to respond immediately to any accidents that occur.

Despite such preventive measures, serious ethical lapses or industrial accidents, which are by their nature unpredictable, have the potential to adversely affect the operating results and financial position of the Companies by damaging the image and reputation of the Companies, diminishing the general public's confidence in the Companies, or leading to a drop in share price.

Currency risk

The global distribution of the Companies' R&D, manufacturing, logistics, marketing, and sales facilities requires business transactions in numerous currencies. The

Companies employ foreign currency forward contracts to hedge foreign currency-denominated trade receivables and payables, and currency swaps to hedge foreign currency-denominated loans and borrowings in an effort to minimize the effects of short-term exposure to exchange rate fluctuations. However, hedging cannot insulate the Companies' operations completely from foreign exchange market trends since these operations include extensive import and export activities worldwide. Fluctuations in exchange rates can thus have an adverse effect on the operating results and financial position of the Companies.

Exchange rate fluctuations also affect the consolidated performance of the Companies because results are reported in yen. Changes in exchange rates affect the values recorded for revenue, expenses, assets, and liabilities in all countries outside Japan when translated into yen. In general terms, yen appreciation against other leading currencies tends to depress the financial results, while yen depreciation tends to have a favorable impact.

Competition

The Companies encounter numerous competitors across their entire product lineup. Competitive price pressures have the potential to adversely affect the operating results and financial position of the Companies. In addition, the Companies face a constant risk of demands for price reductions from large corporate clients.

The Companies strive to maintain profitability in the face of downward price pressures by continually seeking to raise productivity, enhance brand image, develop new markets, and launch new products that provide greater value to customers. However, management cannot guarantee that such efforts will always be sufficient to offset the effects of competition.

The Companies' strategy is based on maintaining a highly competitive technological edge. The Companies target the development and introduction of products equipped with new and advanced technologies, and then aim to persuade customers of the value inherent in such technical advances to secure prices sufficient to ensure that profits fully offset the costs of development. Fierce competition in various fields can sometimes prevent the Companies from recovering development costs through pricing, which can also have an adverse effect on operating results and financial position.

Product defects

The Companies hold customer safety as their highest priority. The Companies invest considerable resources in establishing and maintaining high quality standards for all products manufactured and sold. Management is particularly sensitive to the importance of quality assurance in tires and other products closely associated with human safety. The Companies have honed their collective quality assurance capabilities by upgrading information systems related to product performance, collecting pertinent market information, and establishing systems to provide early warning of any potential safety issues that may arise before they become problems.

Nonetheless, such efforts cannot guarantee a zero level of product defects or eliminate the chance of an extensive product recall because product defects could occur due to unpredictable factors. Any such defects or recalls could result in customer claims for damages, as well as associated litigation costs, replacement costs, and damage to the Companies' reputation. Product liability claims, class-action lawsuits, and other litigation pose a particular risk in the U.S.

Raw materials procurement

Disruption of supplies of raw materials has the potential to affect performance adversely. The Companies use large quantities of natural rubber in tires and other rubber products, most of which are supplied from Southeast Asia.

The availability of natural rubber supplies in quantities sufficient for manufacturing purposes is subject to disruption due to natural disasters, wars, terrorist actions, civil strife, and other social or political unrest, in addition to the threat of poor harvests. Supply shortages or capacity constraints are also potential problems with other basic raw materials.

The Companies rely on in-house upstream raw materials operations and on third-party suppliers for important raw materials. Any disruption of activity to those operations or suppliers and any other events that impede the Companies' plants that use those raw materials could adversely affect the Companies' operating results and financial position. Increases in the costs of raw materials due to tight supply, trade for speculative purposes, and other reasons are also potentially detrimental to the operating results and financial position of the Companies. Management cannot

guarantee that price rises can always be passed on to customers or that ongoing efforts to raise productivity will be sufficient to compensate for any sharp increases in raw materials costs.

Pension costs and obligations

Pension-related costs and obligations are reliant on actuarial assumptions concerning discount rates and a number of other variables. If these assumptions were to change significantly as a result of changes in interest rates or the fair value of plan assets (including pension assets), or other factors were to necessitate a change in the underlying assumptions, there could be an increase in pension-related costs and obligations, as well as a material impact on the operating results and financial position of the Companies.

Intellectual property

The Companies treat intellectual property as an important business resource. Systematic efforts are made to employ intellectual property effectively in improving the competitive position of the Companies, to protect intellectual property rights from infringement, and to avoid infringing the intellectual property rights of other parties.

Despite such safeguards, any actual or alleged infringement of third-party intellectual property rights by the Companies could have a negative impact on the use of certain materials or technologies by the Companies, and could potentially also trigger the payment of compensatory damages. Any such outcome could have a negative effect on the operating results and financial position of the Companies.

Conversely, if claims by the Companies of intellectual property rights infringement against third parties are not upheld, the Companies could also suffer direct or indirect losses through the diminished differentiation or competitiveness of their products in global markets.

Remuneration for Directors and Executive Officers

The policy and process for determining remuneration for directors and executive officers is as follows.

1. The policy for setting remuneration for directors and executive officers:

Principles of Remuneration

- Attract and cultivate superior talent
- Support a competitive remuneration level
- Provide motivation for the execution of business strategies
- Provide motivation for enhancing shareholder value

Setting remuneration

The Company sets remuneration for members of the Board of Directors and executive officers based on the Company's performance results and business size and it is commensurate with roles and the level of responsibilities undertaken. The policy is structured to consider the remuneration levels of other major global companies in Japan which were selected for comparison from the point of view of sales volume, overseas sales ratio, and operating profit ratio.

Remuneration Composition

Item	Description	
Fixed remuneration	Base remuneration	• Monthly cash remuneration determined based on responsibilities and job description
	Additional allowance for members of the Board of Directors with concurrent duties	• Monthly cash remuneration for executive officers who serve concurrently as members of the Board of Directors based on their role and responsibilities
	Additional allowance for chairpersons	• Monthly cash remuneration for an outside director based on their role and responsibilities as chairperson of the Board of Directors
	Additional allowance for committee chairs	• Monthly cash remuneration for an outside director based on their role and responsibilities as chairperson of a committee
Variable remuneration (performance-based)	Performance-based bonus (Groupwide)	• Cash remuneration paid at the end of the fiscal year
	Type A (Determined by quantitative evaluation)	• With adjusted operating profit* used as an indicator, payment amounts are determined according to the degree to which targets are achieved. • 80% of Groupwide performance-based bonus • If the Compensation Committee sets remuneration for each position at 100% (the standard amount), the actual payout may range from 0% to 150% of the standard amount, depending on business performance.
	Type B (Determined by qualitative evaluation)	• Remuneration reflecting the degree of contribution to improving corporate value, including Companywide performance and value from a mid-term perspective, as discussed and decided by the Compensation Committee • 20% of Groupwide performance-based bonus • If the Compensation Committee sets remuneration for each position at 100% (the standard amount), the actual payout may range from 80% to 120% of the standard amount, depending on business performance.
	Performance-based bonus (area of responsibility)	• Cash remuneration paid at the end of the fiscal year • Payment amount is determined according to the degree of achievement within recipient's area of responsibility. • If the Compensation Committee sets remuneration for each position at 100% (the standard amount), the actual payout may range from 80% to 130% of the standard amount, depending on business performance in the recipient's area of responsibility.
Performance-based stock compensation	Performance Share Units (PSUs)	• Remuneration provided for motivation to contribute toward achievement of mid-term performance targets and the improvement of corporate value, in addition to morale and shared value with shareholders • Stock-based compensation issued according to business results over a three-year period • With consolidated ROIC and consolidated ROE used as indicators, the number of shares given is determined based on the degree to which targets are reached. • Remuneration is split 50-50 between monetary payment and shares at time of delivery, with consideration given to income tax amounts borne by the recipient.

* To coincide with the voluntary adoption of IFRS beginning in fiscal 2020, adjusted operating profit has been adopted as an indicator instead of operating income, which is used under JGAAP. Under IFRS, adjusted operating profit is determined by adding or subtracting certain adjustment items to or from pre-adjusted metrics. (Adjusted items)
Business and plant restructuring income and expenses, impairment losses, loss on disaster, insurance claim income, and other gains and losses with huge amounts related to one time event.

The remuneration composition ratio is set with reference to cases overseas, especially in U.S. and European markets, which are of particular importance to the Company's business. However, as a general rule, the ratio of performance-based remuneration within total remuneration is higher for higher-ranking positions, where there is a greater responsibility toward performance and corporate value. The following table represents the composition ratio of remuneration for members of the Board of Directors who concurrently conduct business execution and executive officers when performance-based remuneration is within the standard range, with the exact ratio depending on rank. The percentages may not apply when members of the Board of Directors or executive officers hold concurrent positions as executives of subsidiaries and receive remuneration from those subsidiaries.

Fixed remuneration	Variable remuneration (performance-based)	
Monthly remuneration (base remuneration and additional payment for members of the Board of Directors with concurrent duties) 30%-45%	Short-term incentives (Groupwide, performance-based bonus plus performance-based bonus in area of responsibility) 31%-39%	Long-term incentives (performance-based stock compensation plan) 24%-31%

Reasons for Selecting Performance Indicators

After discussions and deliberations among the Compensation Committee, it was decided that an appropriate director incentive program would include a performance-based bonus, with adjusted operating profit used as an indicator of short-term performance, in addition to performance-based stock compensation. A combination of consolidated ROE and consolidated ROIC, both of which are performance indicators that comprise the numerical targets for the Mid-Term Business Plan, serve as indicators for performance-based stock compensation. These indicators were chosen for their ability to assess business strategy and compensation incentives, for their continuity as an indicator, and for ease of explanation to stakeholders.

Remuneration for members of the Board of Directors

• Remuneration for members of the Board of Directors who concurrently conduct business execution comprises fixed and variable components. Fixed remuneration is made up of base remuneration and remuneration for additional duties. Variable remuneration consists of a Groupwide performance-based bonus and the Performance Share Unit (PSU) plan, which is a performance-based stock compensation plan.

• Remuneration for members of the Board who do not concurrently conduct business execution is fixed and comprises base remuneration plus an allowance for the members of the Board in the position of chairperson or the chair of a committee. The policy is structured to consider the recipient's contributions toward mid- to long-term business performance and the enhancement of corporate value by overseeing the management and operations of the Company without actually being involved in day-to-day operations. "Members of the Board of Directors who do not concurrently conduct business execution" refers to outside directors, as well as internal directors who audit the execution of duties by executive officers and members of the Board of Directors.

Remuneration for executive officers

• Remuneration for executive officers comprises fixed and variable components. Fixed remuneration comprises base remuneration, whereas variable remuneration is made up of a Groupwide performance-based bonus, a performance-based bonus in the officer's area of responsibility, and the PSU plan.

Stock Holdings

Standards and approach for classification of equity investments

The Company distinguishes between equity investments for pure investment purposes—shares held for gaining profit through changes in share value and dividends—and strategic shareholdings, which are all other shares held in accordance with the Company shareholding policy. The Company does not hold any equity investments for pure investment purposes.

Equity investments held for purposes other than pure investment

Shareholding policy and method for checking rationale for holding as well as details regarding verification of the appropriateness of holding shares for each individual security performed by the Board of Directors and other parties

1. Shareholding policy for strategic shareholdings

The Company defines strategic shareholdings as holdings that contribute toward increased corporate value and are held out of necessity from a business strategy perspective or with the goal of maintaining or strengthening relationships with businesses or collaborative industries and are not held for reasons outside of this definition.

2. Verifying appropriateness of strategic shareholdings

The Company confirms the appropriateness of its holdings on an annual basis, including an assessment of securities for which there are holdings, number of shares held, holding ratios, and other factors. These assessments are then verified by the Board of Directors. Appropriateness of holding is determined by operating divisions involved in business execution in accordance with the shareholding policy of the Company, taking into account the objectives, the impact of holding shares, and the cost of capital and other relevant factors for each individual stock listing. Shareholdings that are not judged as appropriate based on the results of this verification process are reduced after establishing a dialogue and gaining the understanding of the business partner for the holding in question. As a result, the number of strategic shareholdings is decreased year on year.

Number of securities and balance sheet amounts

	Number of securities	Balance sheet amounts (millions of yen)
Unlisted shares	45	683
Shares other than unlisted shares	35	69,631

(Securities for which the number of shares was increased during the fiscal year under review)

	Number of securities	Total acquisition price for the increase in the number of shares (millions of yen)	Reason for increasing number of shares
Unlisted shares	1	—	Transferred from subsidiary shares as a result of business restructuring
Shares other than unlisted shares	1	195	Consolidation of shares held by Group companies in order to maintain and strengthen stock trading and collaborative relationships

(Securities for which the number of shares was decreased during the fiscal year under review)

	Number of securities	Total selling price related to the decrease in the number of shares (millions of yen)
Unlisted shares	3	36
Shares other than unlisted shares	13	19,979

Information on the number of specific investments and deemed shareholdings by security, and the amount recorded on the balance sheet

Specific Investments (Stock)

Name	Fiscal year under review	Previous fiscal year	Purpose of holding, quantitative effect of holding,*1 and reasons for the increase in the number of shares	Ownership of the Company's shares
	Number of shares			
	Balance sheet amount (millions of yen)			
JSR CORPORATION	6,525,160	6,441,160	Maintain/strengthen business and collaborative relationships Reason for increase in the number of shares: consolidation of shares held by Group companies	Yes
	18,753	12,959		
TOYOTA MOTOR CORPORATION	1,959,890	1,959,890	Maintain/strengthen business and collaborative relationships	Yes
	15,595	15,118		
NOKIAN TYRES PLC	4,167,653	4,167,653	Business strategy	No
	15,248	13,089		
TOYO TIRE CORPORATION	5,000,000	5,000,000	Maintain/strengthen business and collaborative relationships	Yes
	7,840	7,875		
SUMITOMO MITSUI FINANCIAL GROUP, INC.	562,224	562,224	Business strategy	Yes
	1,792	2,270		
MITSUBISHI UFJ FINANCIAL GROUP, INC.	2,780,580	2,780,580	Business strategy	Yes
	1,268	1,649		
FUJI KYUKO CO., LTD.	244,510	244,510	Maintain/strengthen business and collaborative relationships	No
	1,177	1,033		
YELLOW HAT LTD.	527,076	527,076	Maintain/strengthen business and collaborative relationships	Yes
	884	1,032		
OTSUKA HOLDINGS CO., LTD.	200,000	400,000	Maintain/strengthen business and collaborative relationships	No
	884	1,953		
FUKUYAMA TRANSPORTING CO., LTD.	200,162	200,162	Maintain/strengthen business and collaborative relationships	No
	870	798		
NISHI-NIPPON RAILROAD CO., LTD.	212,237	212,237	Maintain/strengthen business and collaborative relationships	No
	646	534		
SEINO HOLDINGS CO., LTD.	391,229	391,229	Maintain/strengthen business and collaborative relationships	No
	569	577		
KINTETSU GROUP HOLDINGS CO., LTD.	124,281	124,281	Maintain/strengthen business and collaborative relationships	No
	562	735		
AUTOBACS SEVEN CO., LTD.	313,632	313,632	Maintain/strengthen business and collaborative relationships	No
	448	539		
IDEMITSU KOSAN CO., LTD.	171,200	171,200	Maintain/strengthen business and collaborative relationships	No
	389	518		
ISEKI & CO., LTD.	270,970	270,970	Maintain/strengthen business and collaborative relationships	Yes
	375	452		
SENKO GROUP HOLDINGS CO., LTD.	366,888	366,888	Maintain/strengthen business and collaborative relationships	No
	369	342		
NIIGATA KOTSU CO., LTD.	163,870	163,870	Maintain/strengthen business and collaborative relationships	No
	334	342		
MIZUHO FINANCIAL GROUP, INC.*2	212,072	3,534,528	Business strategy	Yes
	277	594		
INOUE RUBBER (THAILAND) PUBLIC CO., LTD.	5,246,500	6,235,000	Maintain/strengthen business and collaborative relationships	No
	256	350		

Name	Fiscal year under review	Previous fiscal year	Purpose of holding, quantitative effect of holding,*1 and reasons for the increase in the number of shares	Ownership of the Company's shares
	Number of shares			
	Balance sheet amount (millions of yen)			
SANKYU INC.	51,514	51,514	Maintain/strengthen business and collaborative relationships	No
	201	283		
HANKYU HANSHIN HOLDINGS, INC.	57,983	57,983	Maintain/strengthen business and collaborative relationships	No
	199	271		
SAN-AI OIL CO., LTD.	153,550	153,550	Maintain/strengthen business and collaborative relationships	No
	172	183		
HIROSHIMA ELECTRIC RAILWAY CO., LTD.	120,000	120,000	Maintain/strengthen business and collaborative relationships	No
	118	134		
ITOCHU ENEX CO., LTD.	101,386	101,386	Maintain/strengthen business and collaborative relationships	No
	103	93		
CENTRAL JAPAN RAILWAY COMPANY	5,000	5,000	Maintain/strengthen business and collaborative relationships	No
	73	110		
MIE KOTSU GROUP HOLDINGS, INC.	121,536	121,536	Maintain/strengthen business and collaborative relationships	No
	60	75		
NISSIN SHOJI CO., LTD.	50,000	50,000	Maintain/strengthen business and collaborative relationships	No
	46	44		
DAIWA MOTOR TRANSPORTATION CO., LTD.	42,000	42,000	Maintain/strengthen business and collaborative relationships	No
	38	48		
S LINE CO., LTD.	29,700	29,700	Maintain/strengthen business and collaborative relationships	No
	27	30		
AIR WATER INC.	10,000	10,000	Maintain/strengthen business and collaborative relationships	No
	18	16		
KAMEI CORPORATION	12,100	12,100	Maintain/strengthen business and collaborative relationships	No
	14	16		
SAKAI HEAVY INDUSTRIES, LTD.	5,808	5,808	Maintain/strengthen business and collaborative relationships	No
	14	17		
ORIX CORPORATION	5,000	5,000	Maintain/strengthen business and collaborative relationships	No
	8	9		
DAIYA TSUSHO CO., LTD.	2,000	2,000	Maintain/strengthen business and collaborative relationships	No
	5	3		
HONDA MOTOR CO., LTD.*3	—	5,756,450	—	Yes
	—	17,839		
HINO MOTORS, LTD. *3	—	1,817,910	—	No
	—	2,112		
MAZDA MOTOR CORPORATION*3	—	1,634,000	—	No
	—	1,532		
NIPPON EXPRESS CO., LTD.*3	—	104,500	—	Yes
	—	670		
HITACHI TRANSPORT SYSTEM, LTD.*3	—	121,000	—	No
	—	372		

Name	Fiscal year under review	Previous fiscal year	Purpose of holding, quantitative effect of holding,*1 and reasons for the increase in the number of shares	Ownership of the Company's shares
	Number of shares			
	Balance sheet amount (millions of yen)			
EPCO CO., LTD.*3	—	40,000	—	No
	—	58		
HITACHI CONSTRUCTION MACHINERY CO., LTD.*3	—	10,000	—	No
	—	32		
COCA-COLA BOTTLERS JAPAN HOLDINGS INC.*3	—	9,810	—	No
	—	27		
TONAMI HOLDINGS CO., LTD.*3	—	3,150	—	No
	—	17		
AUTOWAVE CO., LTD.*3	—	5,000	—	No
	—	0		

*1 Although the quantitative effect of holding shares for each security is not published for the purpose of business confidentiality, the appropriateness of each individual holding is determined by operating divisions involved in business execution in accordance with the shareholding policy of the Company, taking into account the cost of capital and other relevant factors, and is then verified by the Board of Directors.

*2 MIZUHO FINANCIAL GROUP, INC. implemented a 1-for-10 share consolidation on October 1, 2020 .

*3 A dash (“—”) signifies that there are no holdings for the security in question.

Deemed Shareholdings

Not applicable.

Equity investments for pure investment purposes

Not applicable.

Equity investments for which the purpose of holding was changed from pure investment purposes during the fiscal year under review

Not applicable.

Consolidated Statement of Financial Position

	Notes	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars	
Assets					
Current assets					
Cash and cash equivalents	8	¥ 810,546	¥ 432,924	¥ 433,916	\$ 7,831,361
Trade and other receivables	9, 34	667,761	755,344	781,916	6,451,800
Inventories	10	491,240	630,162	645,924	4,746,278
Other financial assets	11, 34	7,277	14,311	25,867	70,313
Other current assets	12	76,279	80,643	78,435	736,999
Subtotal		2,053,104	1,913,385	1,966,059	19,836,752
Non-current assets held for sale	13	1,425	5,023	1,788	13,767
Total current assets		2,054,529	1,918,408	1,967,847	19,850,519
Non-current assets					
Property, plant and equipment	14, 16, 20	1,392,141	1,555,170	1,515,042	13,450,642
Right-of-use assets	17	290,122	298,569	322,670	2,803,109
Goodwill	15, 16	97,646	98,346	41,382	943,440
Intangible assets	15, 16	117,481	113,664	49,710	1,135,086
Investments accounted for using equity method	16	24,543	47,071	48,014	237,127
Other financial assets	11, 34	113,222	140,462	217,306	1,093,937
Deferred tax assets	18	49,409	60,711	57,379	477,382
Other non-current assets	12, 23	50,234	44,616	33,327	485,350
Total non-current assets		2,134,798	2,358,608	2,284,830	20,626,072
Total assets		¥4,189,327	¥4,277,016	¥4,252,677	\$40,476,592

	Notes	As of December 31, 2020	As of December 31, 2019	As of January 1, 2019 (Transition date)	As of December 31, 2020
			Millions of yen	Thousands of U.S. dollars	
Liabilities and equity					
Liabilities					
Current liabilities					
Trade and other payables	19, 34	¥ 420,140	¥ 453,069	¥ 497,173	\$ 4,059,319
Bonds and borrowings	20, 34	293,978	135,442	191,556	2,840,365
Lease liabilities	20, 34	53,966	52,827	52,097	521,412
Income taxes payable		34,978	51,506	35,404	337,954
Other financial liabilities	20, 34	29,342	27,628	24,996	283,498
Provisions	21	64,806	34,931	33,080	626,147
Other current liabilities	22	144,526	138,980	123,190	1,396,385
Subtotal		1,041,736	894,383	957,495	10,065,080
Liabilities directly associated with non-current assets held for sale	13	12	953	—	117
Total current liabilities		1,041,748	895,336	957,495	10,065,197
Non-current liabilities					
Bonds and borrowings	20, 34	412,060	405,514	209,977	3,981,252
Lease liabilities	20, 34	246,187	250,685	271,179	2,378,616
Other financial liabilities	20, 34	13,937	12,937	11,824	134,656
Retirement benefit liabilities	23	191,679	211,619	207,928	1,851,971
Provisions	21	23,730	23,348	24,212	229,271
Deferred tax liabilities	18	28,491	44,243	46,613	275,274
Other non-current liabilities		36,205	30,856	29,077	349,809
Total non-current liabilities		952,288	979,203	800,810	9,200,849
Total liabilities		1,994,036	1,874,539	1,758,306	19,266,046
Equity					
Common stock	24	126,354	126,354	126,354	1,220,812
Capital surplus	24	122,116	121,998	121,998	1,179,867
Treasury stock	24	(38,657)	(232,330)	(32,648)	(373,493)
Other components of equity	24	(59,851)	42,661	118,815	(578,274)
Retained earnings	24	1,999,996	2,290,696	2,105,280	19,323,633
Total equity attributable to owners of parent		2,149,958	2,349,378	2,439,799	20,772,545
Non-controlling interests		45,333	53,099	54,572	438,001
Total equity		2,195,291	2,402,477	2,494,371	21,210,545
Total liabilities and equity		¥4,189,327	¥4,277,016	¥4,252,677	\$40,476,592

Consolidated Statement of Profit or Loss

	Notes	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Revenue	6, 26	¥2,994,524	¥3,507,243	\$28,932,599
Cost of sales	10, 14, 15, 23	1,906,553	2,182,554	18,420,799
Gross profit		1,087,971	1,324,689	10,511,801
Selling, general and administrative expenses	14, 15, 23, 27, 33	907,200	998,360	8,765,217
Other income	28	32,019	47,606	309,364
Other expenses	16, 23, 28	148,676	24,599	1,436,487
Operating profit		64,114	349,336	619,460
Finance income	29	8,431	17,748	81,457
Finance costs	23, 29	23,654	28,324	228,542
Impairment loss related to shares using equity method	16	18,196	—	175,803
Share of profit (loss) of investments accounted for using equity method		(1,429)	(3,251)	(13,809)
Profit before tax		29,266	335,510	282,764
Income tax expense	18	48,997	89,219	473,397
Profit (loss)		(19,731)	246,291	(190,634)
Profit (loss) attributable to Owners of parent		(23,301)	240,111	(225,134)
Non-controlling interests		3,571	6,179	34,500
Profit (loss)		¥ (19,731)	¥ 246,291	\$ (190,634)
Earnings (loss) per share				
Basic earnings (loss) per share (Yen)	31	¥ (33.09)	¥ 332.31	
Diluted earnings (loss) per share (Yen)	31	(33.09)	331.76	
Earnings (loss) per share				
Basic earnings (loss) per share (U.S. dollars)	31			\$ (0.32)
Diluted earnings (loss) per share (U.S. dollars)	31			(0.32)

Consolidated Statement of Comprehensive Income

	Notes	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit (loss)		¥ (19,731)	¥246,291	\$ (190,634)
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	30, 34	1,708	6,121	16,504
Remeasurements of defined benefit plans	23, 30	5,478	2,749	52,927
Share of other comprehensive income of investments accounted for using equity method	30	(140)	(6)	(1,349)
Total of items that will not be reclassified to profit or loss		7,046	8,864	68,082
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	30	(94,748)	(16,191)	(915,436)
Effective portion of change in fair value of cash flow hedges	30	79	(864)	763
Share of other comprehensive income of investments accounted for using equity method	30	(1,747)	(2,105)	(16,876)
Total of items that may be reclassified to profit or loss		(96,415)	(19,159)	(931,549)
Other comprehensive income, net of tax		(89,369)	(10,295)	(863,467)
Comprehensive income		(109,099)	235,995	(1,054,101)
Comprehensive income attributable to				
Owners of parent		(108,005)	227,517	(1,043,525)
Non-controlling interests		(1,095)	8,478	(10,576)
Comprehensive income		¥(109,099)	¥235,995	\$ (1,054,101)

Consolidated Statement of Changes in Equity

Fiscal year ended December 31, 2020

Note	Equity attributable to owners of parent												
	Other components of equity												
	Common stock	Capital surplus	Treasury stock	Stock acquisition rights	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	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total
	Millions of yen												
Balance at January 1, 2020	¥126,354	¥121,998	¥(232,330)	¥3,275	¥(18,968)	¥(325)	¥58,678	¥ —	¥ 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	—	—	—	—	(93,289)	315	1,706	6,564	(84,703)	—	(84,703)	(4,665)	(89,369)
Total comprehensive income	—	—	—	—	(93,289)	315	1,706	6,564	(84,703)	(23,301)	(108,005)	(1,095)	(109,099)
Purchase of treasury stock	24	—	—	(3)	—	—	—	—	—	—	(3)	—	(3)
Disposal of treasury stock	24	—	—	193,677	(150)	—	—	—	(150)	(193,526)	0	—	0
Dividends	25	—	—	—	—	—	—	—	—	(91,531)	(91,531)	(7,507)	(99,037)
Changes in ownership interests of owners in subsidiaries under control	—	118	—	—	—	—	—	—	—	—	118	871	990
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(11,094)	(6,564)	(17,659)	17,659	—	—	—
Other changes	—	—	—	—	—	—	—	—	—	—	—	(36)	(36)
Total transactions with owners, etc.	—	118	193,674	(150)	—	—	(11,094)	(6,564)	(17,809)	(267,398)	(91,415)	(6,672)	(98,087)
Balance at December 31, 2020	¥126,354	¥122,116	¥(38,657)	¥3,125	¥(112,257)	¥(9)	¥49,290	¥ —	¥(59,851)	¥1,999,996	¥2,149,958	¥45,333	¥2,195,291

Fiscal year ended December 31, 2019

Note	Equity attributable to owners of parent												
	Other components of equity												
	Common stock	Capital surplus	Treasury stock	Stock acquisition rights	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	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total
	Millions of yen												
Balance at January 1, 2019	¥126,354	¥121,998	¥(32,648)	¥3,452	¥ —	¥ 1,742	¥113,620	¥ —	¥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	—	—	—	—	(18,968)	(2,066)	6,115	2,325	(12,594)	—	(12,594)	2,299	(10,295)
Total comprehensive income	—	—	—	—	(18,968)	(2,066)	6,115	2,325	(12,594)	240,111	227,517	8,478	235,995
Purchase of treasury stock	24	—	—	(200,004)	—	—	—	—	—	(234)	(200,237)	—	(200,237)
Disposal of treasury stock	24	—	—	322	(177)	—	—	—	(177)	(144)	0	—	0
Dividends	25	—	—	—	—	—	—	—	—	(117,701)	(117,701)	(10,028)	(127,729)
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(61,058)	(2,325)	(63,383)	63,383	—	—	—
Other changes	—	—	—	—	—	—	—	—	—	—	—	77	77
Total transactions with owners, etc.	—	—	(199,682)	(177)	—	—	(61,058)	(2,325)	(63,560)	(54,696)	(317,938)	(9,951)	(327,889)
Balance at December 31, 2019	¥126,354	¥121,998	¥(232,330)	¥3,275	¥(18,968)	¥(325)	¥ 58,678	¥ —	¥ 42,661	¥2,290,696	¥2,349,378	¥53,099	¥2,402,477

Fiscal year ended December 31, 2020

Note	Equity attributable to owners of parent												
	Other components of equity												
	Common stock	Capital surplus	Treasury stock	Stock acquisition rights	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	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total
	Thousands of U.S. dollars												
Balance at January 1, 2020	\$1,220,812	\$1,178,724	\$(2,244,736)	\$31,646	\$(183,267)	\$(3,137)	\$566,938	\$ —	\$ 412,180	\$22,132,325	\$22,699,305	\$513,037	\$23,212,342
Profit (loss)	—	—	—	—	—	—	—	—	—	(225,134)	(225,134)	34,500	(190,634)
Other comprehensive income	—	—	—	—	(901,343)	3,047	16,481	63,424	(818,391)	—	(818,391)	(45,076)	(863,467)
Total comprehensive income	—	—	—	—	(901,343)	3,047	16,481	63,424	(818,391)	(225,134)	(1,043,525)	(10,576)	(1,054,101)
Purchase of treasury stock	24	—	—	(30)	—	—	—	—	—	—	(30)	—	(30)
Disposal of treasury stock	24	—	—	1,871,273	(1,448)	—	—	—	(1,448)	(1,869,821)	4	—	4
Dividends	25	—	—	—	—	—	—	—	—	(884,353)	(884,353)	(72,527)	(956,881)
Changes in ownership interests of owners in subsidiaries under control	—	1,142	—	—	—	—	—	—	—	—	1,142	8,419	9,561
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(107,191)	(63,424)	(170,615)	170,615	—	—	—
Other changes	—	—	—	—	—	—	—	—	—	—	—	(351)	(351)
Total transactions with owners, etc.	—	1,142	1,871,243	(1,448)	—	—	(107,191)	(63,424)	(172,063)	(2,583,558)	(883,236)	(64,461)	(947,696)
Balance at December 31, 2020	\$1,220,812	\$1,179,867	\$(373,493)	\$30,198	\$(1,084,610)	\$(90)	\$476,228	\$ —	\$(578,274)	\$19,323,633	\$20,772,545	\$438,001	\$21,210,545

Consolidated Statement of Cash Flows

Cash flows from operating activities

Note	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
		Millions of yen	Thousands of U.S. dollars
Profit before tax	¥ 29,266	¥ 335,510	\$ 282,764
Depreciation and amortization	267,454	269,749	2,584,101
Impairment losses	89,622	10,542	865,910
Increase (decrease) in retirement benefit liabilities	(13,196)	2,710	(127,497)
Interest and dividend income	(7,598)	(16,626)	(73,414)
Interest expenses	13,426	16,020	129,721
Foreign currency exchange loss (gain)	4,905	5,152	47,392
Impairment loss related to shares using equity method	18,196	—	175,803
Share of loss (profit) of investments accounted for using equity method	1,429	3,251	13,809
Loss (gain) on sale of fixed assets	(24,192)	(30,418)	(233,744)
Business and plant restructuring expenses	42,821	2,635	413,727
Loss on retirement of fixed assets	6,905	5,718	66,717
Decrease (increase) in trade and other receivables	56,908	21,875	549,832
Decrease (increase) in inventories	128,837	7,292	1,244,800
Increase (decrease) in trade and other payables	(7,524)	(40,807)	(72,699)
Increase (decrease) in consumption tax payables	14,340	(4,543)	138,549
Other	(16,806)	(4,881)	(162,379)
Subtotal	604,791	583,179	5,843,391
Interest and dividends received	7,835	16,535	75,700
Interest paid	(13,960)	(15,096)	(134,880)
Income taxes paid	(71,719)	(79,589)	(692,937)
Net cash provided by (used in) operating activities	526,947	505,029	5,091,274
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(200,677)	(270,530)	(1,938,912)
Proceeds from sale of property, plant and equipment	38,857	38,758	375,430
Payments for purchase of intangible assets	(17,436)	(11,256)	(168,467)
Proceeds from sale of investment securities	19,755	87,091	190,871
Payments of long-term loans receivable	(4,450)	(2,071)	(42,992)
Collection of loans receivable	3,489	1,210	33,709
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,873)	(110,354)	(18,092)
Other	6,957	5,275	67,220
Net cash provided by (used in) investing activities	(155,378)	(261,875)	(1,501,234)
Cash flows from financing activities			
Proceeds from short-term debt	32	292,943	2,989,682
Repayments of short-term debt	32	(257,682)	(2,400,344)
Proceeds from long-term debt	32	30	1,126,719
Repayments of long-term debt	32	(23,361)	(32,398)
Proceeds from issuance of bonds	32	—	—
Redemption of bonds	32	(70,000)	(646,300)
Repayments of lease liabilities	32	(55,002)	(551,997)
Purchase of treasury stock	(3)	(200,004)	(29)
Dividends paid to owners of parent	(91,524)	(117,679)	(884,292)
Dividends paid to non-controlling interests	(7,501)	(9,954)	(72,478)
Other	(21)	251	(203)
Net cash provided by (used in) financing activities	18,077	(240,458)	174,659
Effect of exchange rate changes on cash and cash equivalents	(12,025)	(1,293)	(116,183)
Net increase (decrease) in cash and cash equivalents	377,621	1,403	3,648,516
Cash and cash equivalents at beginning of period	432,924	433,916	4,182,845
Cash and cash equivalents included in assets held for sale	—	(2,395)	—
Cash and cash equivalents at end of period	8	¥ 810,546	¥ 432,924

NOTE 1 REPORTING ENTITY

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

subsidiaries (the "Group") as well as the Company's interests in its associates and joint ventures.

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

NOTE 2 BASIS OF PREPARATION

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

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

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

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

The Group's accounting policies are in compliance with IFRS effective as of December 31, 2020, with the exception

of IFRS standards that have not been early adopted and the exemptions permitted under IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"). The exemptions adopted by the Group are described in Note "39. First-time Adoption of IFRS."

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

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

internal transactions within the Group, are eliminated when preparing the consolidated financial statements.

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

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

Changes in the Group's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions, and the difference between the amount by which non-controlling interests are adjusted and

the fair value of the consideration is directly recognized in equity as interests attributable to the shareholders of the Company.

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

2) Associates

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

3) Joint ventures

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

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

(2) Business combinations

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

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

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

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

(3) Foreign currency translation

1) Foreign currency transactions

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

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

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

2) Financial statements of foreign operations

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

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

(4) Financial instruments

1) Financial assets other than derivatives

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

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

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

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

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

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

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

(ii) Subsequent measurement

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

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at fair value through profit or loss
After initial recognition, financial assets measured at fair value through profit or loss are remeasured at fair value as of each closing date, and changes in fair values and dividends are recognized in profit or loss.

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

Changes in fair values measured after initial recognition are recognized in other comprehensive income. Such amounts are reclassified into retained earnings in case of derecognition or a significant decline in the fair values. Dividends

from such financial assets are recognized in profit or loss as finance income in the period when the Group's right to receive payment of the dividends is established.

(iii) Derecognition

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

2) Impairment of financial assets measured at amortized cost

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

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

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

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

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

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

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

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

3) Financial liabilities other than derivatives

(i) Initial recognition and measurement

Debt securities issued by the Group are initially recognized at the date of issuance. All other financial liabilities are recognized on the date when the Group becomes a party to the contract on such financial instruments.

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

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

(ii) Subsequent measurement

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

(a) Financial liabilities measured at amortized cost

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

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

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

(iii) Derecognition

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

4) Derivatives and hedge accounting

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

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

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

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

(i) Fair value hedges

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

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

(ii) Cash flow hedges

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

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

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

(iii) Derivatives not designated as hedging instruments

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

5) Offsetting financial instruments

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

(5) Fair value measurement

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

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

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

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

(6) Cash and cash equivalents

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

(7) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is calculated by primarily using the moving-average method. Net realizable value is

determined at the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

(8) Property, plant and equipment

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

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

Buildings and structures: 10 to 50 years

Machinery and vehicles: 3 to 17 years

Tools, furniture and fixtures: 2 to 20 years

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

(9) Goodwill and intangible assets

1) Goodwill

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

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

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

2) Intangible assets

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

Separately acquired intangible assets are initially measured at cost, while the cost of intangible assets acquired in a business combination is measured at fair value as of the acquisition date. Expenditures for internally generated intangible assets are recognized as an expense

incurred during the period, except for development costs eligible for capitalization.

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

Software: 1 to 10 years

Trademarks: 1 to 10 years

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

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

(10) Leases

1) Lessee

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

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

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

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

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

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

2) Lessor

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

(11) Impairment of non-financial assets

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

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

(12) Non-current assets held for sale

An asset or asset group that is expected to be recovered through a sale transaction rather than through continuing

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

(13) Employee benefits

1) Short-term employee benefits

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

2) Post-employment benefits

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

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

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

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

(14) Share-based payment

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

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

(15) Provisions

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

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

Provisions that the Group recognizes are mainly as follows:

1) Provision for compensation for industrial accidents

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

2) Provision for loss on litigation

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

3) Provision for business and plant restructuring expenses

Primarily due to the commencement of discussions for the closure of overseas tire plants, the Group estimates and

records an amount that is currently expected to be incurred in the future to prepare for the related expenditures.

(16) Revenue

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

Step 1: Identify contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to performance obligations in the contract

Step 5: Recognize revenue when (or as) the performance obligation is satisfied.

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

(17) Government grants

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

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

(18) Borrowing costs

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

(19) Income taxes

Income taxes consist of current tax and deferred tax. These are recognized in profit or loss, excluding tax arising from the

items recognized in other comprehensive income or directly in equity, and tax arising from business combinations.

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

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

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

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

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

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

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

For uncertain income tax positions, the Group recognizes an asset or a liability at a reasonably estimated

amount if the tax position has a high probability of being accepted based on a tax law interpretation.

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

(20) Treasury stock

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

(21) Dividends

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

(22) Earnings per share

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

(23) Adjusted operating profit

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

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

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

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

NOTE 4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS INVOLVING ESTIMATES

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

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

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

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

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

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

NOTE 5 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

While there are newly issued or revised standards and interpretations that were issued on or before the date of approval of the consolidated financial statements but have

not yet been early adopted by the Group, none of them have material impact on the Group's consolidated financial statements.

NOTE 6 OPERATING SEGMENTS**(1) Description of reportable segments**

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

From the first quarter ended March 31, 2020, the Group has consolidated the reportable segments, which were previously divided into two "business segments" and four "geographical segments," into the following four segments: "Japan," "Americas," "Europe, Russia, Middle East, India and Africa," and "China, Asia-Pacific." The consolidation of the reportable segments has been made for the purpose of disclosing business results more appropriately based on the SBU (Strategic Business Units) —the classification of the Group's businesses for management control purposes. In the aforementioned new segment structure, the Group

engages in production and sale of tires and tubes, sale of wheels and accessories, production and sale of retread material and services, auto maintenance and repair services, and Diversified products business including Chemical and Industrial Products and BSAM Diversified Products.

(2) Revenues and Performances of Reportable Segment

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

Fiscal year ended December 31, 2020

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

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

Fiscal year ended December 31, 2019

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

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

Fiscal year ended December 31, 2020

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

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

Reconciliation from adjusted operating profit to profit before tax

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

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

(Note 3) The major breakdown of adjusted items (i.e., income) are as follows:

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

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

(Note 5) The major breakdown of adjusted items (i.e., expenses) are as follows:

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

(Note 6) The major breakdown of impairment losses is presented in Note "16. Impairment of non-financial assets."

(Note 7) This was primarily the recording of fixed costs, etc. arising from the period when operations were temporarily suspended at plants, etc. due to official requests and declarations by the national and local governments to prevent the spread of COVID-19.

(Note 8) This was primarily the recording of fixed costs, incurred over the period of the suspended operations of retail stores, etc., and expenses, etc., which were the direct result of the preparation for and cancellation of events that were canceled due to official requests and declarations by the national and local governments to prevent the spread of COVID-19.

(Note 9) This was primarily the recording of expenses relating to the sale of an overseas raw materials plant.

(Note 10) This was primarily the recording of expenses, such as provisions relating to the commencement of discussions for the closure of overseas tire plants and expenses for the transfer of the unit bath business.

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

(3) Information about geographical areas

The breakdown of revenue from external customers and non-current assets by geographical area is as follows:

Revenue from external customers

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

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

Non-current assets

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

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

(4) Information about major customers

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

NOTE 7 BUSINESS COMBINATIONS

Fiscal year ended December 31, 2019

(1) Overview of business combinations

1) Name and business of the acquiree

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

Description of business Digital fleet solutions business

2) Acquisition date

April 1, 2019

3) Percentage of voting equity interests acquired

100%

4) Primary reasons for the business combination

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

5) Acquisition method

Acquisition of shares through cash consideration

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

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

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

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

(3) Fair value of the receivables

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

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

(4) Cash flows arising from the acquisition

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

(5) Effect on business performance

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

Fiscal year ended December 31, 2020

Not applicable.

NOTE 8 CASH AND CASH EQUIVALENTS

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

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

NOTE 9 TRADE AND OTHER RECEIVABLES

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

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

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

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

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

NOTE 10 INVENTORIES

The breakdown of "Inventories" is as follows:

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

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

NOTE 11 OTHER FINANCIAL ASSETS**(1) Breakdown of other financial assets**

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 12 OTHER ASSETS

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

(1) Other current assets

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

(2) Other non-current assets

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

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

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

NOTE 13 NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

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

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

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

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

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

(Note 2) Exchange difference in the fiscal year ended December 31, 2019 is included in "Other changes."

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

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

Cost	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Others	Total
Millions of yen							
Balance at January 1, 2019	¥ 1,131,025	¥ 2,147,859	¥ 557,511	¥ 168,553	¥ 179,227	¥ 54,373	¥ 4,238,548
Balance at December 31, 2019	1,169,453	2,198,661	576,716	174,607	195,033	53,946	4,368,416
Balance at December 31, 2020	¥1,163,103	¥2,187,209	¥573,326	¥172,392	¥195,809	¥53,857	¥4,345,696
Thousands of U.S. dollars							
Balance at December 31, 2020	\$11,237,711	\$21,132,458	\$5,539,386	\$1,665,622	\$1,891,870	\$520,359	\$41,987,405

Accumulated depreciation and impairment losses	Buildings and structures	Machinery and equipment	Tools, furniture and fixtures	Land	Construction in progress	Others	Total
Millions of yen							
Balance at January 1, 2019	¥572,693	¥1,634,515	¥463,687	¥6,738	¥6,238	¥39,635	¥2,723,506
Balance at December 31, 2019	601,140	1,678,988	478,826	7,047	6,515	40,732	2,813,247
Balance at December 31, 2020	632,651	1,762,182	493,383	5,771	17,256	42,313	2,953,555
Thousands of U.S. dollars							
Balance at December 31, 2020	\$6,112,567	\$17,025,912	\$4,766,982	\$55,757	\$166,728	\$408,817	\$28,536,762

NOTE 15 GOODWILL AND INTANGIBLE ASSETS**(1) Changes during the period**

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

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

(Note 1) Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

(Note 2) "Software in progress" is included in "Others."

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

(Note 1) Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

(Note 2) "Software in progress" is included in "Others."

Cost	Goodwill	Trademarks	Software	Others	Total
					Millions of yen
Balance at January 1, 2019	¥ 41,382	¥ 12,153	¥ 27,518	¥ 42,501	¥ 123,554
Balance at December 31, 2019	¥ 98,599	¥ 16,909	¥ 67,150	¥ 79,243	¥ 261,901
Balance at December 31, 2020	¥99,776	¥16,520	¥82,761	¥81,580	¥280,637
					Thousands of U.S. dollars
Balance at December 31, 2020	\$964,020	\$159,616	\$799,624	\$788,211	\$2,711,470
					Millions of yen
Accumulated amortization and impairment losses					
Balance at January 1, 2019	¥ —	¥ 63	¥ 15,427	¥ 16,972	¥32,462
Balance at December 31, 2019	¥ 253	¥ 784	¥ 26,049	¥ 22,805	¥49,892
Balance at December 31, 2020	¥2,130	¥1,294	¥34,748	¥27,338	¥65,510
					Thousands of U.S. dollars
Balance at December 31, 2020	\$20,580	\$12,501	\$335,734	\$264,129	\$632,944

(2) Material goodwill and intangible assets

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

NOTE 16 IMPAIRMENT OF NON-FINANCIAL ASSETS**(1) Impairment loss**

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

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

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

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

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

Cash-generating unit	Segments					Other	Consolidated total
	Japan	Americas	Europe, Russia, Middle East, India and Africa	China, Asia-Pacific	Total		
							Millions of yen
Russian passenger vehicle tire business	¥ —	¥ —	¥10,068	¥ —	¥10,068	¥—	¥10,068
Indian tire business	—	—	6,598	—	6,598	—	6,598
Chinese truck and bus tire business	—	—	—	19,581	19,581	—	19,581
Vietnamese passenger vehicle tire business	—	—	—	9,196	9,196	—	9,196
Thai small and medium mining and construction vehicle tire business	—	—	—	17,442	17,442	—	17,442
Japanese Anti-vibration rubber business	6,210	—	—	—	6,210	—	6,210
Aircraft tires business	2,517	410	1,520	3,850	8,296	—	8,296
Other	8,602	300	3,220	92	12,214	16	12,231
Total	¥17,329	¥710	¥21,406	¥50,161	¥89,605	¥16	¥89,622
							Thousands of U.S. dollars
Russian passenger vehicle tire business	\$ —	\$ —	\$ 97,274	\$ —	\$ 97,274	\$ —	\$ 97,274
Indian tire business	—	—	63,748	—	63,748	—	63,748
Chinese truck and bus tire business	—	—	—	189,190	189,190	—	189,190
Vietnamese passenger vehicle tire business	—	—	—	88,855	88,855	—	88,855
Thai small and medium mining and construction vehicle tire business	—	—	—	168,526	168,526	—	168,526
Japanese Anti-vibration rubber business	60,002	—	—	—	60,002	—	60,002
Aircraft tires business	24,315	3,960	14,682	37,196	80,152	—	80,152
Other	83,110	2,903	31,114	878	118,005	157	118,163
Total	\$167,428	\$6,862	\$206,818	\$484,645	\$865,753	\$157	\$865,910

The major reasons for the impairment losses are as follows:

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

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

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

The breakdown of these impairment losses is as follows:

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

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

2) "China, Asia-Pacific" segment

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

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

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

The breakdown of these impairment loss is as follows:

Cash-generating unit	Segment	Type of Assets	Amount
			Millions of yen
		Machinery and equipment	¥17,878
		Other	1,704
		Subtotal	19,581
		Buildings and structures	5,515
	China, Asia-Pacific	Construction in progress	3,681
		Subtotal	9,196
		Machinery and equipment	12,833
		Other	4,610
		Subtotal	17,442
Total			¥46,220

Cash-generating unit	Segment	Type of Assets	Amount
			Thousands of U.S. dollars
		Machinery and equipment	\$172,730
		Other	16,460
		Subtotal	189,190
		Buildings and structures	53,285
	China, Asia-Pacific	Construction in progress	35,570
		Subtotal	88,855
		Machinery and equipment	123,987
		Other	44,539
		Subtotal	168,526
Total			\$446,571

3) "Japan" segment

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

The breakdown of this impairment loss is as follows:

Cash-generating unit	Segment	Type of Assets	Amount
			Millions of yen
		Buildings and structures	¥1,322
		Machinery and equipment	3,517
		Other	1,371
		Subtotal	¥6,210
Total			¥6,210

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

4) Aircraft tires business

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

The breakdown of this impairment loss is as follows:

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

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

(2) Impairment test of goodwill

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

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

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

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

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

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

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

NOTE 17 LEASE TRANSACTIONS

Lessee

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

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

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

Carrying amount	Buildings and structures	Land	Others	Total
Millions of yen				
As of January 1, 2019	¥ 243,572	¥ 44,364	¥ 34,734	¥ 322,670
As of December 31, 2019	¥ 230,961	¥ 39,452	¥ 28,157	¥ 298,569
As of December 31, 2020	¥ 228,987	¥ 36,428	¥ 24,707	¥ 290,122
Thousands of U.S. dollars				
As of December 31, 2020	\$ 2,212,431	\$ 351,962	\$ 238,715	\$ 2,803,109
Millions of yen				
Fiscal year ended December 31, 2019	¥ 44,192	¥ 2,831	¥ 9,860	¥ 56,883
Fiscal year ended December 31, 2020	¥ 45,180	¥ 2,773	¥ 9,555	¥ 57,508
Thousands of U.S. dollars				
Fiscal year ended December 31, 2020	\$ 436,525	\$ 26,793	\$ 92,319	\$ 555,637

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Additions to right-of-use assets	¥ 61,811	¥ 48,176	\$ 597,205

(2) Expenses and cash outflows for leases

The lease expenses are as follows:

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

Total cash outflows for leases are as follows:

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Total cash outflow for leases	¥ 61,449	¥ 62,143	\$ 593,709

(3) Maturity analysis for lease liabilities

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

NOTE 18 INCOME TAXES**(1) Deferred tax assets and deferred tax liabilities**

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

Fiscal year ended December 31, 2020

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

Fiscal year ended December 31, 2019

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

Fiscal year ended December 31, 2020

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

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

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

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

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

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

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

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

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

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

(2) Income tax expense

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

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

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

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

(3) Reconciliation of effective tax rate

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

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

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

NOTE 19 TRADE AND OTHER PAYABLES

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

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

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

NOTE 20 BONDS AND BORROWINGS (INCLUDING OTHER FINANCIAL LIABILITIES)**(1) Breakdown of financial liabilities**

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

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

(Note 1) "Average interest rate" represents the weighted average interest rates for the balances at December 31, 2020.

(Note 2) Bonds and borrowings are categorized as financial liabilities measured at amortized cost.

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

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

(2) Assets pledged as collateral for liabilities

Assets pledged as collateral for liabilities are as follows:

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

NOTE 21 PROVISIONS

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

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

Fiscal year ended December 31, 2020

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

Fiscal year ended December 31, 2019

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

Fiscal year ended December 31, 2020

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

(1) Provision for compensation for industrial accidents

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

(2) Provision for loss on litigation

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

(3) Provision for business and plant restructuring expenses

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

(4) Others

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

NOTE 22 OTHER CURRENT LIABILITIES

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

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

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

NOTE 23 EMPLOYEE BENEFITS**(1) Post-employment benefits**

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

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

(i) Investment risk

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

(ii) Interest rate risk

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

1) Reconciliation of defined benefit obligations

The changes in the defined benefit obligations are as follows:

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

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

2) Reconciliation of plan assets

The changes in the plan assets are as follows:

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

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

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

3) Reconciliation of defined benefit obligations and plan assets

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

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

4) Major components of plan assets

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

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

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

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

(Japan)

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

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

(Overseas)

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

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

5) Reconciliation of the effect of the asset ceiling

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

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

6) Items related to actuarial assumptions

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

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

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

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

7) Defined contribution plan

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

(2) Employee benefit expenses

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

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

NOTE 24 EQUITY AND OTHER COMPONENTS OF EQUITY

(1) Common stock and capital surplus

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

1) Number of shares authorized

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

2) Number of shares issued and fully paid

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

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

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

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

(2) Treasury stock

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

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

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

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

(3) Other components of equity

1) Stock acquisition rights

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

2) Exchange differences on translation of foreign operations

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

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

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

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

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

5) Remeasurements of defined benefit plans

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

(4) Retained earnings

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

NOTE 25 DIVIDENDS

(1) The amount of dividends paid

Fiscal year ended December 31, 2020

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

Fiscal year ended December 31, 2019

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

Fiscal year ended December 31, 2020

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

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

Fiscal year ended December 31, 2020

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

Fiscal year ended December 31, 2019

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

Fiscal year ended December 31, 2020

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

NOTE 26 REVENUE**(1) Disaggregation of revenue**

The breakdown of revenue is as follows:

Fiscal year ended December 31, 2020

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

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

Fiscal year ended December 31, 2019

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

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

Fiscal year ended December 31, 2020

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

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

(2) Contract balances

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

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

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

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

Contract liabilities primarily relate to advances received from customers.

(3) Transaction price allocated to the remaining performance obligations

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

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

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

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

NOTE 27 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

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

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

NOTE 28 OTHER INCOME AND OTHER EXPENSES

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

(1) Other income

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

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

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

(2) Other expenses

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

(Note 1) The breakdown of "Impairment losses" is presented in Note "16. Impairment of non-financial assets."

(Note 2) The breakdown of "Business and plant restructuring expenses" is presented in Note "6. Operating Segments."

NOTE 29 FINANCE INCOME AND FINANCE COSTS

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

(1) Finance income

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

(2) Finance costs

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

(Note 1) "Interest income" and "Interest expenses" arise from financial assets and financial liabilities measured at amortized cost respectively.

In addition, "Dividend income" arises from financial assets measured at fair value through other comprehensive income.

(Note 2) The details of net interest of defined benefit plans are presented in Note "23. Employee Benefits."

NOTE 30 OTHER COMPREHENSIVE INCOME

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

Fiscal year ended December 31, 2020

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

Fiscal year ended December 31, 2019

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

Fiscal year ended December 31, 2020

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

NOTE 31 EARNINGS PER SHARE**(1) Basic earnings (loss) per share**

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

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

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

(2) Diluted earnings (loss) per share

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

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

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

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

NOTE 32 CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

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

Fiscal year ended December 31, 2020

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

Fiscal year ended December 31, 2019

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

Fiscal year ended December 31, 2020

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

NOTE 33 SHARE-BASED PAYMENT

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

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

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

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

(1) Stock option plan

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

1) Terms of the contracts, etc.

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

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

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

2) Changes in the number of stock options

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

(Note 1) The number of stock options is presented by converting it into the number of shares.

(Note 2) All the stock options have been granted at an exercise price of ¥1 (\$0.01) per share.

(Note 3) The weighted-average stock price of the exercised stock options at exercise during the period is ¥3,523 (\$34) for the fiscal year ended December 31, 2020. As for the fiscal year ended December 31, 2019, it was ¥4,321.

(Note 4) The weighted-average remaining contractual lives of the outstanding stock options as of December 31, 2020 and 2019 were 13.4 years and 14.2 years, respectively.

(2) PSU

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

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

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

(3) Share-based remuneration expenses

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

NOTE 34 FINANCIAL INSTRUMENTS**(1) Capital management**

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

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

(2) Matters related to risk management

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

(3) Credit risk management

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

determined to be uncollectible or extremely difficult to collect. When using derivative transactions, the Group engages in transactions with only highly rated financial institutions to mitigate counterparty risk.

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

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

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

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

Notes and accounts receivable, etc.

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

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

Other financial assets

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

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

2) Changes in allowance for doubtful accounts

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

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

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

Allowance for doubtful accounts against other financial assets

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

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

(4) Liquidity risk management

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

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

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

As of December 31, 2020

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

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

As of December 31, 2019

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

As of January 1, 2019 (Transition date)

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

As of December 31, 2020

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

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

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

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

(5) Foreign currency risk management

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

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

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

Foreign currency sensitivity analysis

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

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

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Profit before tax	¥(65)	¥(51)	\$(629)

(6) Interest rate risk management

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

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

Interest rate sensitivity analysis

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

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

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Profit before tax	¥(93)	¥(161)	\$(903)

(7) Market price fluctuation risk management

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

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

Sensitivity of share price fluctuation risk

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

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Other comprehensive income	¥(714)	¥(890)	\$(6,897)

(8) Fair value measurement

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

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

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

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

1) Financial instruments measured at fair value

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

(i) Derivative assets and derivative liabilities

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

(ii) Shares

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

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

As of December 31, 2020

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

As of December 31, 2019

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

As of January 1, 2019 (Transition date)

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

As of December 31, 2020

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

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

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

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

(Note 1) Amount is included in "Net change in fair value of financial assets measured through other comprehensive income" in the consolidated statement of comprehensive income.

(Note 2) The transfer from Level 3 recognized in the fiscal year ended December 31, 2019 was attributable to the listing of the investee on the stock exchange.

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

2) Financial instruments measured at amortized cost

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

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

Bonds and borrowings

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

As of December 31, 2020

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

As of December 31, 2019

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

As of January 1, 2019 (Transition date)

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

As of December 31, 2020

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

(9) Hedge accounting

Risk management strategy

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

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

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

As of December 31, 2020

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

As of December 31, 2019

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

As of January 1, 2019 (Transition date)

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

As of December 31, 2020

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

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

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

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

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

Fiscal year ended December 31, 2020

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

Fiscal year ended December 31, 2019

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

Fiscal year ended December 31, 2020

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

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

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

(10) Transfer of financial instruments

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

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

NOTE 35 RELATED PARTY**(1) Related party transactions**

Fiscal year ended December 31, 2020

Not applicable

Fiscal year ended December 31, 2019

Not applicable

As of January 1, 2019 (Transition date)

Not applicable

(2) Remuneration for key management personnel

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

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

NOTE 36 SUBSIDIARIES AND ASSOCIATES, ETC.**(1) Information on significant subsidiaries**

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

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

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

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

(2) Significant associates and jointly controlled entities

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

(3) Impairment of investments in a jointly controlled entity

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

NOTE 37 COMMITMENTS

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

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

NOTE 38 SIGNIFICANT SUBSEQUENT EVENTS

(Sale of subsidiary)

BRIDGESTONE AMERICAS, INC., a U.S. subsidiary of the Company, has concluded an agreement with LafargeHolcim Ltd., a Swiss building materials manufacturer, regarding the sale of FIRESTONE BUILDING PRODUCTS COMPANY, LLC (hereinafter "FSBP"), a subsidiary of BRIDGESTONE AMERICAS, INC. in the Americas segment, to Holcim Participations (US) Inc., a U.S. subsidiary of LafargeHolcim Ltd., on January 6, 2021 (local time). And the transaction has been completed on March 31, 2021.

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

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

1. Reasons for the sale of the subsidiary
Founded in 1980, FSBP is a leading company in building materials including roofing materials.

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

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

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

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

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

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

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

2. Period for the sale of the subsidiary
Resolution date at the Company's Board of Directors
January 6, 2021
Contract conclusion date for the sale of the subsidiary
January 6, 2021 (local time)
Execution date for the sale of the subsidiary
March 31, 2021

NOTE 39 FIRST-TIME ADOPTION OF IFRS

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

(1) Exemption in IFRS 1

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

1) Business combinations

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

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

2) Exchange differences on translation of foreign operations

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

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

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

4) Leases

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

(2) Mandatory exception under IFRS 1

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

(3) Reconciliations

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

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

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

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

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

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

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

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

Notes on reconciliations of equity

(1) Reclassifications

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

- 1) Accounts receivable - other, which was included in and presented as "Other current assets" in current assets

under Japanese GAAP, are reclassified and presented as "Trade and other receivables" under IFRS.

- 2) "Finished products," "Work in process," and "Raw materials and supplies," which were separately presented under Japanese GAAP, are presented in aggregate as "Inventories" under IFRS.

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

(2) Trade and other receivables

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

(3) Inventories

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

(8) Retained earnings

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

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

(4) Property, plant and equipment

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

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

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

(6) Deferred tax assets and deferred tax liabilities

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

(7) Other components of equity

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

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

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

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

Notes on reconciliations of profit or loss and comprehensive income

(1) Reclassifications

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

(2) Cost of sales

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

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

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

(4) Selling, general and administrative expenses

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

(5) Finance income

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

(6) Finance costs

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

(7) Income tax expense and other comprehensive income

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

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

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

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

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Bridgestone Corporation:

Opinion

We have audited the consolidated financial statements of Bridgestone Corporation (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As discussed in Note 38, "Significant subsequent events" to the consolidated financial statements, in response to the resolution of the Company's Board of Directors on January 6, 2021, BRIDGESTONE AMERICAS, INC., a U.S. subsidiary of the Company, has signed an agreement to sell FIRESTONE BUILDING PRODUCTS COMPANY, LLC, a subsidiary of BRIDGESTONE AMERICAS, INC. to Holcim Participations (US) Inc., a U.S. subsidiary of LafargeHolcim Ltd., as of the same date. The transaction has been completed on March 31, 2021. Our opinion is not modified in respect of this matter.

Member of
Deloitte Touche Tohmatsu Limited

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRSs and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC
May 17, 2021

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