BRIDGESTONE

Your Journey, Our Passion

Annual Report 2013

Financial Review

Contents

The Bridgestone Corporation is referred to as the "Company," and the Company and its subsidiaries are referred to as the "Companies" 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 Group's actual performance and results to differ from management's projections and plans.

Management's Discussion and Analysis

Unless otherwise noted, all figures are taken from the consolidated financial statements and notes. The U.S. dollar figures have been translated solely for the convenience of readers outside Japan at ¥105.39 to $1, the prevailing exchange rate on December 31, 2013. Financial disclosures by the Bridgestone Corporation (the "Company") are in accordance with accounting principles generally accepted in Japan.

Results of Operations

Business environment

In fiscal 2013, the operating environment of the Company and its subsidiaries (the "Companies") was marked by signs of recovery in the domestic market against a background of improvement in the export environment and the effects of economic and monetary policies, as the correction of the yen's appreciation held firm. In overseas markets overall, a weak recovery continued. In the United States, there was a recovery trend, and in Europe, there were signs that the economic situation had stopped worsening but nonetheless business conditions remained challenging. In Asia, the pace of economic growth slowed in China and India.

Net sales

Net sales rose 17%, or ¥528.4 billion ($5,013 million), to ¥3,568.1 billion ($33.9 billion), primarily due to an increase in unit sales of tires and to the influence of the depreciation of the yen. As a result, year-on-year gains in sales were recorded in both the tires segment and the diversified products segment.

The average yen/dollar exchange rate in fiscal 2013 was ¥98, compared to ¥80 in the previous year, while the average yen/euro exchange rate in fiscal 2013 was ¥130, compared with ¥103 in the previous year.

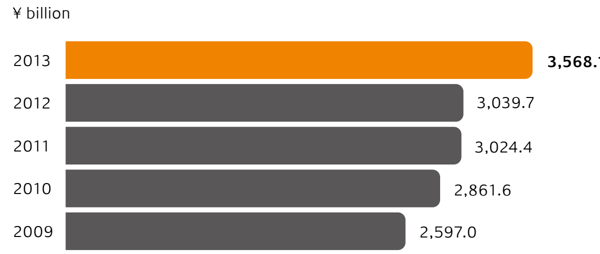
Operating income

Due in large part to the decline in raw materials prices and the depreciation of the yen, operating income rose 53%, or ¥152.1 billion ($1,444 million), to ¥438.1 billion ($4,157 million). As a result, the operating margin increased by 2.9 percentage points, from 9.4% to 12.3%.

Operating Income Margin

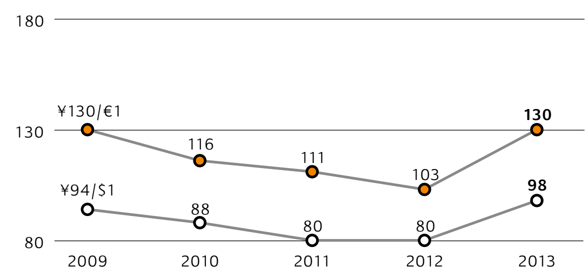
	2013	2012	2011	2010	2009
% of net sales	12.3	9.4	6.3	5.8	2.9

Net Sales

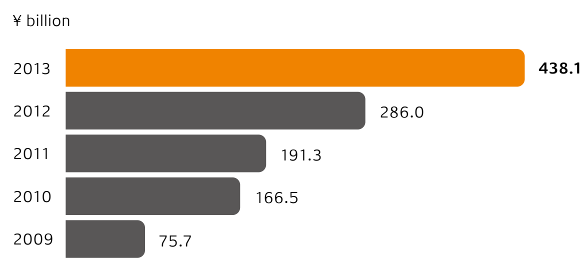


Currency Exchange Rates

Annual average rates

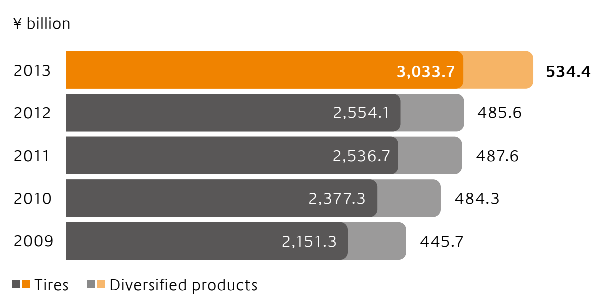


Operating Income



Sales of Tires and Diversified Products

Net of inter-segment transactions



Performance by business segment

The tire segment includes tires for passenger cars, trucks and buses, construction and mining vehicles, aircraft, and motorcycles, as well as tubes, wheels, related accessories, retreading business, and automotive maintenance services. Including inter-segment transactions, the tire segment's sales in fiscal 2013 increased by 19% from the previous year, to ¥3,036.9 billion ($28.8 billion). Operating income also increased, rising by 53%, to ¥399.5 billion ($3,791 million).

In the tire segment, the Companies worked to maximize sales momentum by introducing appealing new products globally, enhancing strategic products and reinforcing fundamental competencies such as specification optimization, and responding promptly to demand fluctuation in each region.

In Japan, unit sales of tires for passenger cars and light trucks grew firmly compared to fiscal 2012 due to increased sales of replacement tires. Total unit sales of tires for trucks and buses were favorable, rising year on year.

In the Americas, unit sales of passenger and light truck tires in North America increased compared to fiscal 2012. Total unit sales of tires for trucks and buses were favorable, rising year on year.

In Europe, unit sales of tires for passenger cars and light trucks decreased compared to fiscal 2012, but unit sales of tires for trucks and buses were favorable, rising year on year.

In the Asia Pacific region, unit sales of passenger cars and light trucks were favorable, rising year on year due to increased sales of replacement tires. Total unit sales of tires for trucks and buses were favorable, rising year on year. In China, substantial gains compared to fiscal 2012 were recorded in unit sales of passenger and light truck tires as well as in unit sales of tires for trucks and buses.

In the specialty tire business, unit sales of large and ultra-large off-the-road radial tires for construction and mining vehicles were about the same as in fiscal 2012.

The diversified products segment includes functional chemical products, a wide range of industrial items, sporting goods, and bicycles. Many of these products are made from rubber or rubber-derived materials.

In the diversified products segment, net sales totaled ¥546.2 billion ($5,183 million), an increase of 9% from fiscal 2012. Due to the increasing profit of domestic business, operating income was ¥38.6 billion ($366 million), an increase of 51% from fiscal 2012.

Composition of Sales by Business Segment

Net of inter-segment transactions

	2013	2012
		% of net sales
Tires	85.0	84.0
Diversified products	15.0	16.0
	100.0	100.0

Performance by market

In Japan, net sales totaled ¥674.8 billion ($6,403 million), a decline of 3% from fiscal 2012. In the Americas, net sales totaled ¥1,628.6 billion ($15.5 billion), an increase of 23%, from fiscal 2012. In Europe, net sales totaled ¥425.0 billion ($4,033 million), an increase of 22%, from fiscal 2012. In other regions, net sales totaled ¥839.6 billion ($7,967 million), an increase of 25%, from fiscal 2012.

Composition of Sales by Market

Net of inter-segment transactions

	2013	2012
		% of net sales
Japan	18.9	22.9
The Americas	45.7	43.5
Europe	11.9	11.5
Other	23.5	22.1
	100.0	100.0

Other income and expense

The total of other income and other expenses equaled a loss of ¥98.0 billion ($930 million), compared with the corresponding loss of ¥17.9 billion in the previous year.

Net interest-related expenses decreased by ¥5.3 billion ($50 million), to ¥2.3 billion ($22 million). In the previous fiscal year, gain on sales of property, plant and equipment was ¥3.0 billion, gain on sales of investment securities was ¥4.1 billion, impairment loss was ¥14.0 billion, dismantlement expenses were ¥4.1 billion, loss on disposals of property, plant and equipment was ¥3.0 billion, and loss on business withdrawal was ¥2.9 billion. In fiscal 2013, the year under review, impairment loss was ¥11.3 billion ($107 million), loss on disposals of property, plant and equipment was ¥4.1 billion ($39 million), dismantlement expenses were ¥3.4 billion ($32 million), loss related to US antitrust laws was ¥44.8 billion ($425 million), loss related to recall was ¥22.5 billion ($214 million), plant restructuring costs in Japan were ¥8.7 billion ($82 million), and plant restructuring costs in Europe were ¥5.0 billion ($48 million). However, gain on sales of property, plant and equipment was ¥5.0 billion ($48 million).

Income before income taxes and minority interests increased by ¥72.0 billion ($684 million), or 27%, to ¥340.1 billion ($3,227 million).

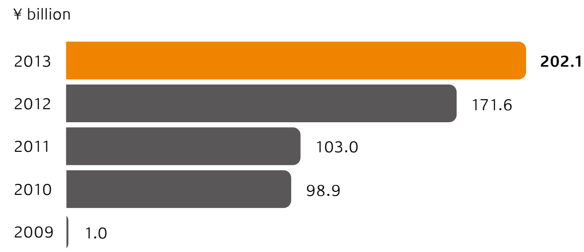
Net income

Net income increased by ¥30.4 billion ($289 million), to ¥202.1 billion ($1,917 million), from ¥171.6 billion in the previous fiscal year. Minority interests increased to ¥11.7 billion ($111 million). As a result, the net return on sales was unchanged from the previous fiscal year, at 5.7%.

➔ Net Return on Sales

	2013	2012	2011	2010	2009
					% of net sales
	5.7	5.7	3.4	3.5	0.04

➔ Net Income



➔ Total Assets

Note: As described in Note 3. (28) "Application of IAS 19 'Employee Benefits' (amended in June 16, 2011)," certain overseas subsidiaries applied IAS 19 "Employee Benefits" (amended in June 16, 2011). As this change in accounting policy is applied retrospectively, the amount of total assets for 2012 reflects the retrospective application.

Financial Condition

Assets

Current assets increased by ¥241.4 billion ($2,290 million), compared with the prior year-end, to ¥1,717.4 billion ($16.3 billion). This increase was attributable to gains in cash and cash equivalents, which were up by ¥55.2 billion ($524 million), notes and accounts receivable, which increased by ¥83.8 billion ($795 million), and merchandise and finished products, which rose by ¥33.4 billion ($317 million).

In fixed assets, capital investments of ¥274.9 billion ($2,608 million) exceeded depreciation and amortization of ¥176.2 billion ($1,672 million). However, due to the influence of the depreciation of the yen on the conversion of foreign-currency amounts into yen, net property, plant and equipment increased by ¥216.1 billion ($2,051 million). As a result of an increase in the market value of stock holdings, investments in securities and investments in and advances to affiliated companies rose by ¥92.7 billion ($880 million).

Consequently, the total of "property, plant and equipment" and "investments and other assets" increased by ¥295.9 billion ($2,807 million), or 19%, compared with the previous fiscal year end, to ¥1,859.7 billion ($17.6 billion).

Total assets increased by ¥537.2 billion ($5,098 million), or 18%, compared with the previous fiscal year-end, to ¥3,577.0 billion ($33.9 billion).

Liabilities

In current liabilities, commercial paper and other interest-bearing debt decreased by ¥3.5 billion ($34 million). However, provision for loss related to US antitrust laws of ¥44.8 billion ($425 million) and provision for recall of ¥21.1 billion ($201 million) were recorded. Accounts payable-other increased by ¥20.7 billion ($196 million) and accrued expenses increased by ¥56.8 billion ($538 million). Consequently, total current liabilities were up 19%, or ¥169.2 billion ($1,605 million), to ¥1,059.3 billion ($10.1 billion).

Long-term debt decreased by ¥52.3 billion ($496 million), and accrued pension and liability for retirement benefits decreased by ¥66.0 billion ($627 million) due to an increase in pension plan assets. However, deferred tax liabilities (long term) increased by ¥27.3 billion ($259 million). Consequently, total long-term liabilities were down 11%, or ¥77.6 billion ($736 million), to ¥654.8 billion ($6,213 million).

Total interest-bearing debt, which is recorded in current liabilities and long-term liabilities, decreased by ¥55.8 billion ($530 million), or 9%, compared with the prior fiscal year-end, to ¥564.3 billion ($5,354 million).

Note: Interest-bearing debt includes short-term debt, commercial paper, bonds, long-term debt, and obligations under finance leases.

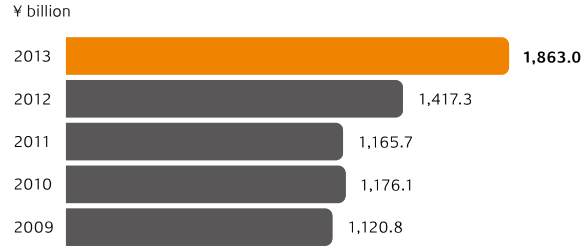
Equity

Total equity at December 31, 2013, amounted to ¥1,863.0 billion ($17.7 billion). This was ¥445.6 billion ($4,228 million), or 31%, higher than at the previous fiscal year-end. However, cash dividends paid were ¥33.7 billion ($319 million). Net income was ¥202.1 billion ($1,917 million), net unrealized gain (loss) on available-for-sale securities was ¥67.3 billion ($638 million), and foreign currency translation adjustments were ¥160.0 billion ($1,518 million).

The ratio of shareholders' equity, excluding stock acquisition rights and minority interests, to total assets at the end of December 2013 was 50.5%, an increase of 5.3 percentage points from the previous fiscal year-end. The ratio of total debt to debt and shareholders' equity was 23.8% at December 31, 2013, compared with a ratio of 31.1% at the previous fiscal year-end.

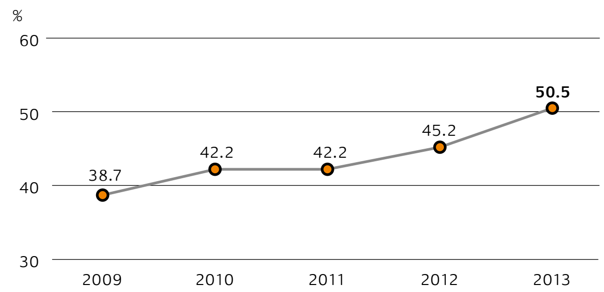
Net return on shareholders' equity (ROE) was 12.7%, a decrease of 1.0 percentage points compared with the previous fiscal year. Net return on total assets (ROA) equaled 6.1%, an increase of 0.1 percentage points compared with the previous fiscal year.

Total Equity



Note: As described in Note 3. (28) "Application of IAS 19 'Employee Benefits' (amended in June 16, 2011)," certain overseas subsidiaries applied IAS 19 "Employee Benefits" (amended in June 16, 2011). As this change in accounting policy is applied retrospectively, the amount of total equity for 2012 reflects the retrospective application.

Ratio of Shareholders' Equity to Total Assets



Eleven-year Summary

Bridgestone Corporation and Subsidiaries
Years ended December 31

	2013	2012	2011	2010
			Millions of yen, except per share data and financial ratios	
Net sales	¥ 3,568,091	¥ 3,039,738	¥ 3,024,356	¥ 2,861,615
Overseas sales	2,893,251	2,343,546	2,330,154	2,189,765
Tires (net of inter-segment transactions)	3,033,660	2,554,126	2,536,731	2,377,305
Diversified products (net of inter-segment transactions)	534,431	485,612	487,625	484,310
Operating income	438,132	285,995	191,322	166,450
Net income	202,054	171,606	102,970	98,914
Total equity	1,862,964	1,417,348	1,165,672	1,176,147
Total assets	3,577,045	3,039,799	2,677,344	2,706,640
Ratio of shareholders' equity to total assets	50.5	45.2	42.2	42.2
Per Share in Yen:				
Net income				
Basic	258.10	219.26	131.56	126.19
Diluted	257.81	219.10	131.50	126.16
Shareholders' equity	2,305.64	1,754.30	1,444.53	1,458.01
Cash dividends	57.00	32.00	22.00	20.00
Capital expenditure	274,862	245,644	201,390	182,648
Depreciation and amortization	176,180	155,066	158,044	170,663
Research and development costs	89,098	82,801	83,982	85,154

1 Solely for the convenience of readers, the Japanese yen amounts in this annual report are translated into U.S. dollars at the rate of ¥105.39 to $1, the approximate year-end rate.
2 By adoption of the new accounting standard for presentation of equity, minority interests, stock acquisition rights and deferred gain (loss) on derivative instruments are included in equity from fiscal 2006.
3 As described in Note 3. (28) "Application of IAS 19 'Employee Benefits' (amended in June 16, 2011)," certain overseas subsidiaries applied IAS 19 "Employee Benefits" (amended in June 16, 2011). As this change in accounting policy is applied retrospectively, the amount of total equity and total assets for 2012 reflect the retrospective application.

Net Return on Shareholders' Equity

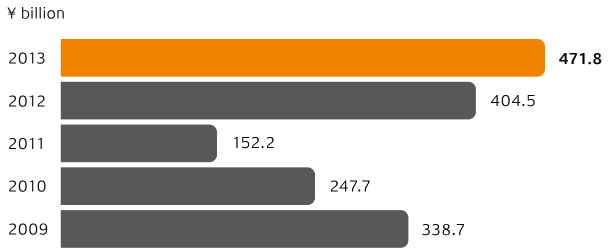
2013	2012	2011	2010	2009
		% of simple average of year-end shareholders' equity		
12.7	13.7	9.1	8.9	0.1

Net Return on Total Assets

2013	2012	2011	2010	2009
		% of simple average of year-end total assets		
6.1	6.0	3.8	3.6	0.04

Cash Flow

Net cash provided by operating activities



Cash flow

Consolidated cash and cash equivalents increased by ¥55.2 billion ($524 million) during 2013, to ¥324.6 billion ($3,080 million), compared with an increase of ¥140.6 billion during the prior year.

Net cash provided by operating activities increased by ¥67.3 billion ($639 million), compared with the prior fiscal year, to ¥471.8 billion ($4,476 million).

The principal contributors in that cash provided included income before income taxes and minority interests of ¥340.1 billion ($3,227 million), compared with ¥268.1 billion during the prior year, and depreciation and amortization of ¥176.2 billion ($1,672 million), compared with ¥155.1 billion during the prior year. These contributors offset income taxes paid of ¥117.7 billion ($1,116 million), compared with ¥56.0 billion during the prior year.

	2009	2008	2007	2006	2005	2004	2003
							Millions of yen, except per share data and financial ratios
	¥ 2,597,002	¥ 3,234,406	¥ 3,390,219	¥ 2,991,275	¥ 2,691,376	¥ 2,416,685	¥ 2,303,917
	1,982,192	2,448,300	2,589,006	2,213,880	1,945,283	1,700,599	1,593,863
	2,151,314	2,622,890	2,750,374	2,393,165	2,152,950	1,927,989	1,836,395
	445,687	611,516	639,845	598,110	538,426	488,696	467,522
	75,712	131,551	249,962	190,876	213,851	197,697	183,294
	1,044	10,412	131,630	85,121	180,796	114,453	88,720
	1,120,797	1,019,996	1,410,225	1,221,846	1,128,597	934,981	887,987
	2,808,439	2,768,470	3,359,255	3,053,440	2,709,962	2,333,708	2,220,613
	38.7	35.8	40.8	38.6	41.6	40.1	40.0
	1.33	13.33	168.69	109.10	226.92	138.96	102.75
	1.33	13.33	168.65	109.07	226.86	138.94	102.56
	1,385.43	1,263.30	1,757.23	1,511.43	1,443.43	1,163.82	1,056.54
	16.00	24.00	26.00	24.00	24.00	19.00	16.00
	178,204	275,301	272,381	261,335	203,670	191,000	155,742
	180,547	187,420	173,585	145,349	127,609	111,491	104,383
	85,766	93,252	86,748	86,687	79,415	72,898	70,967

Net cash used in investing activities increased ¥27.3 billion ($259 million), compared with the prior year, to ¥265.2 billion ($2,517 million). Expenditures included payments of ¥267.0 billion ($2,534 million) for purchase of tangible assets, compared with payments of ¥240.1 billion during the prior year.

Net cash used in financing activities increased ¥128.4 billion ($1,218 million), compared with the prior year, to ¥183.7 billion ($1,743 million). The principal contributors in that cash used included net decrease in short-term borrowings of ¥81.1 billion ($769 million), compared with ¥35.9 billion during the prior year, repayments of long-term borrowings of ¥67.4 billion ($640 million), compared with ¥52.1 billion during the prior year, payments for redemption of bonds of ¥62.0 billion ($588 million), compared with ¥39.5 billion during the prior year, and payments for cash dividends paid of ¥33.7 billion ($319 million), compared with ¥21.9 billion during the prior year. These contributors offset proceeds from issuance of bonds of ¥50.0 billion ($474 million), compared with ¥28.2 billion in the prior year.

Capital financing and liquidity

In addition to borrowings from financial institutions, the Companies continue to seek to diversify its sources of financing through direct financing such as a domestic straight bond, commercial paper, medium-term notes in overseas markets and securitization of receivables and leases as well to diversify risks and to minimize the interest cost.

Dividend

Comprising interim dividends of ¥27.0 ($0.26) and year-end dividends of ¥30.0 ($0.28) per share, annual dividends for fiscal 2013 totaled ¥57.0 ($0.54) per share.

Projection for Fiscal 2014

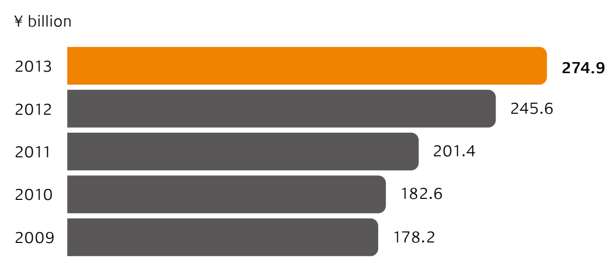
In 2013, the Companies' operating environment will continue to require careful attention due to such factors as fluctuations in exchange rates and the prices of raw materials and feedstocks, an ongoing lack of clarity in the global economic situation, and international political conditions that remain unstable.

Amid such a challenging business environment, the Companies project the following results through the implementation of Mid-Term Management Plan initiatives.

Management forecasts consolidated net sales in fiscal 2014 of ¥3,800.0 billion, an increase of 6% from fiscal 2013. Management expects operating income to increase 5%, to ¥460.0 billion, with net income rising to ¥285.0 billion. Projected annual dividends in fiscal 2014 are ¥80 per share.

These performance forecasts are based on assumed average exchange rates of ¥100 against the dollar and ¥135 against the euro, compared with the full year average rates recorded in fiscal 2013 of ¥98 and ¥130, respectively.

➔ Capital Expenditure



Operational Risks

The status of the Bridgestone Group (Bridgestone Corporation and its consolidated subsidiaries, 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 alert to 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 25, 2014.

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 the fiscal year ended December 31, 2013, the consolidated sales split by market (for external customers only) was 46% from operations in the Americas, 19% from Japan and 12% from Europe. An economic downturn in any of these regions could exert a major adverse effect on the business results and financial position of the Companies.

The core tire business accounts for 85% of consolidated net sales. In addition, operations in the diversified products business segment also include a substantial volume of business in automotive products. The operating results and financial position of the Companies are thus heavily exposed to 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 are affected by business conditions in the resource industries and in the civil engineering and construction industries. Trends in those business conditions that might cause demand for these tires 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 certain contribution to sales such as in Japan, Europe and North America) is closely related to seasonal weather trends. Low snowfall 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 governing all aspects of business activity, including trade, investment, foreign exchange transactions, anti competitive practices, and environmental protection.

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 business results and financial position of the Companies.

The Companies' business results and financial position could be adversely affected by unavoidable, significant changes in investment plans or operational plans due to unpredictable legal or regulatory changes, etc., in Japan or in overseas markets.

The Companies could be subject to lawsuits or to investigations by governmental authorities in regard to its business activities in Japan or overseas markets. In the event that an important lawsuit is instituted or investigation by governmental authorities is commenced, the Companies' business 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 manmade 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 affect the operating results and financial position of the Companies adversely.

Also, such factors as abrupt, substantial fluctuations in political/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) and other measures have been created to promote swift response to an earthquake and early restoration of operations. The Companies are also moving forward with infection prevention measures and business continuity planning in regard to the spread of an infectious disease, such as H1N1 influenza.

Despite such preventive measures, such a serious risk 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 condition.

Operational disruptions at those plants where 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 customers' confidence in the Companies as a reliable sources 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 for any reason, such as a natural or manmade disaster, or through human error, could cause significant operational disruption, with the potential for major adverse effects on performance. 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.

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 affect the operating results and financial position of the Companies adversely 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 short-term exposure to exchange rate fluctuations between the yen and the dollar, euro and other leading currencies. 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 sales, 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 in both the tire and diversified products segments, across the entire product lineup. Competitive price pressures have the potential to affect the operating results and financial position of the Companies adversely. 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 aims 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 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 intimately 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 and the Companies hold customer safety as their highest priority. 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 United States.

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 a potential problem 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 at 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 condition. 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 material costs.

Pension costs

Pension-related costs and obligations are reliant on actuarial assumptions concerning a number of variables, including discount rates and the expected rates of investment return on pension assets. There could be a material impact on the operating results and financial position of the Companies if actual results were to differ significantly from initial assumptions, or if deteriorating conditions in financial markets or other factors were to necessitate a change in the underlying assumptions.

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.

Consolidated Balance Sheet

Bridgestone Corporation and Subsidiaries
December 31, 2013 and 2012

	Note	2013	2012	2013
	2		Millions of yen	Thousands of U.S. dollars
Assets				
Current Assets:				
Cash and cash equivalents	14	¥ 324,596	¥ 269,416	$ 3,079,951
Marketable securities	5,14	107,043	78,526	1,015,685
Notes and accounts receivable	6,14	528,466	444,670	5,014,385
Inventories	4,6	557,104	520,726	5,286,118
Deferred tax assets	13	101,370	79,333	961,856
Other current assets		110,676	91,418	1,050,157
Allowance for doubtful accounts		(11,871)	(8,075)	(112,639)
Total Current Assets		1,717,384	1,476,014	16,295,513
Property, Plant and Equipment:	6			
Land		152,368	142,408	1,445,754
Buildings and structures		885,843	771,332	8,405,380
Machinery and equipment		2,334,916	2,050,364	22,155,006
Construction in progress		237,504	185,129	2,253,572
		3,610,631	3,149,233	34,259,712
Accumulated depreciation		(2,275,571)	(2,030,297)	(21,591,907)
Net Property, Plant and Equipment		1,335,060	1,118,936	12,667,805
Investments and Other Assets:				
Investments in securities	5,14	303,764	213,398	2,882,285
Investments in and advances to affiliated companies		17,686	15,349	167,815
Long-term loans receivable		8,630	6,072	81,886
Deferred tax assets	13	75,525	110,822	716,624
Other assets		124,575	104,276	1,182,038
Allowance for doubtful accounts		(5,579)	(5,068)	(52,937)
Total Investments and Other Assets		524,601	444,849	4,977,711
Total Assets		¥3,577,045	¥3,039,799	$33,941,029

See notes to consolidated financial statements.

	Note	2013	2012	2013
	2		Millions of yen	Thousands of U.S. dollars
Liabilities and Equity				
Current Liabilities:				
Short-term debt	6,14	¥ 111,753	¥ 164,739	$ 1,060,376
Current portion of long-term debt	6,14	169,795	120,356	1,611,111
Notes and accounts payable	14	358,128	317,346	3,398,121
Income taxes payable		54,572	55,827	517,810
Accrued expenses		230,888	174,138	2,190,796
Deferred tax liabilities	13	1,403	1,580	13,312
Provision for sales returns		3,036	3,223	28,807
Provision for loss related to US antitrust laws		44,791	—	425,002
Provision for recall		21,132	—	200,512
Provision for plant restructuring in Japan		8,582	—	81,431
Other current liabilities		55,206	52,896	523,827
Total Current Liabilities		1,059,286	890,105	10,051,105
Long-term Liabilities:				
Long-term debt	6,14	282,726	334,999	2,682,664
Accrued pension and liability for retirement benefits	7	236,747	302,794	2,246,390
Deferred tax liabilities	13	58,048	30,769	550,792
Provision for environmental remediation		3,310	3,969	31,408
Other liabilities		73,964	59,815	701,813
Total Long-term Liabilities		654,795	732,346	6,213,067
Total Liabilities		1,714,081	1,622,451	16,264,172
Contingent Liabilities and Commitments	16			
Equity:	3,8			
Common stock Authorized—1,450,000,000 shares, issued—813,102,321 shares in 2013 and 2012		126,354	126,354	1,198,918
Capital surplus		122,866	122,630	1,165,822
Stock acquisition rights		1,621	1,099	15,381
Retained earnings		1,597,140	1,428,747	15,154,569
Treasury stock—at cost, 30,115,568 shares in 2013 and 30,440,507 shares in 2012		(56,645)	(57,247)	(537,480)
Accumulated other comprehensive income	19			
Net unrealized gain (loss) on available-for-sale securities		200,704	133,440	1,904,393
Deferred gain (loss) on derivative instruments		(1,093)	(948)	(10,371)
Foreign currency translation adjustments		(86,177)	(246,190)	(817,696)
Postretirement liability adjustments for foreign consolidated companies		(97,864)	(133,764)	(928,589)
Total		1,806,906	1,374,121	17,144,947
Minority interests		56,058	43,227	531,910
Total Equity		1,862,964	1,417,348	17,676,857
Total Liabilities and Equity		¥3,577,045	¥3,039,799	$33,941,029

See notes to consolidated financial statements.

Consolidated Statement of Income

Bridgestone Corporation and Subsidiaries
Years ended December 31, 2013 and 2012

	Note	2013	2012	2013
	2		Millions of yen	Thousands of U.S. dollars
Net Sales	17	¥3,568,091	¥3,039,738	$33,856,068
Cost of Sales		2,267,663	2,017,238	21,516,871
Gross profit		1,300,428	1,022,500	12,339,197
Selling, General and Administrative Expenses		862,296	736,505	8,181,952
Operating income	17	438,132	285,995	4,157,245
Other Income (Expenses):				
Interest and dividend income		12,510	8,891	118,702
Share of profit of entities accounted for using equity method		3,819	2,146	36,237
Interest expense		(14,826)	(16,462)	(140,678)
Foreign currency exchange gain (loss)		(4,111)	722	(39,008)
Gain on sales of property, plant and equipment	12	5,031	3,011	47,737
Gain on sales of investment securities		2,048	4,055	19,433
Impairment loss	12	(11,300)	(14,025)	(107,221)
Loss on disposals of property, plant and equipment		(4,063)	(3,011)	(38,552)
Dismantlement expenses		(3,370)	(4,118)	(31,976)
Loss related to US antitrust laws	12	(44,791)	—	(425,002)
Loss related to recall	12	(22,504)	—	(213,531)
Plant restructuring costs in Japan	12	(8,653)	—	(82,105)
Plant restructuring costs in Europe	12	(5,044)	—	(47,860)
Loss on business withdrawal	12	—	(2,903)	—
Other—net		(2,780)	3,751	(26,379)
Total		(98,034)	(17,943)	(930,203)
Income before Income Taxes and Minority Interests		340,098	268,052	3,227,042
Income Taxes:	13			
Current		123,288	86,482	1,169,826
Deferred		3,023	2,254	28,684
Total		126,311	88,736	1,198,510
Income before minority interests		213,787	179,316	2,028,532
Minority Interests		(11,733)	(7,710)	(111,329)
Net Income		¥ 202,054	¥ 171,606	$ 1,917,203
	2		Yen	U.S. dollars
Per Share of Common Stock:				
Basic	10	¥258.10	¥219.26	$2.45
Diluted	10	257.81	219.10	2.45
Cash dividends applicable to the year		57.00	32.00	0.54

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Bridgestone Corporation and Subsidiaries
Years ended December 31, 2013 and 2012

	Note	2013	2012	2013
	2		Millions of yen	Thousands of U.S. dollars
Income before minority interests		¥213,787	¥179,316	$2,028,532
Other comprehensive income	19			
Unrealized gain (loss) on available-for-sale securities		67,259	35,688	638,191
Deferred gain (loss) on derivative instruments		(392)	—	(3,720)
Foreign currency translation adjustments		163,444	88,018	1,550,850
Postretirement liability adjustment for foreign consolidated companies		35,864	(27,564)	340,298
Share of other comprehensive income in affiliates		327	1,519	3,103
Total Other Comprehensive Income		266,502	97,661	2,528,722
Comprehensive income	19	¥480,289	¥276,977	$4,557,254
Comprehensive income attribute to:				
Shareholders of Bridgestone Corporation		¥465,087	¥265,279	$4,413,009
Minority interests		15,202	11,698	144,245

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Bridgestone Corporation and Subsidiaries
Years ended December 31, 2013 and 2012

								Accumulated other comprehensive income						
	Note	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivative instruments	Foreign currency translation adjustments	Postretirement liability adjustments for foreign consolidated companies	Total	Minority interests	Total equity
	2	Thousands												Millions of yen
Balance at January 1, 2012		782,661	¥126,354	¥122,630	¥771	¥1,279,978	¥(57,249)	¥97,751	¥(891)	¥(331,784)	¥(106,212)	¥1,131,348	¥34,324	¥1,165,672
Cumulative effects of changes in accounting policies						(922)						(922)	(688)	(1,610)
Restated balance		782,661	126,354	122,630	771	1,279,056	(57,249)	97,751	(891)	(331,784)	(106,212)	1,130,426	33,636	1,164,062
Net income for the year						171,606						171,606		171,606
Cash dividends						(21,915)						(21,915)		(21,915)
Purchase of treasury stock		(5)					(10)					(10)		(10)
Disposal of treasury stock		6		0			12					12		12
Net change in the year					328			35,689	(57)	85,594	(27,552)	94,002	9,591	103,593
Balance at December 31, 2012		782,662	¥126,354	¥122,630	¥1,099	¥1,428,747	¥(57,247)	¥133,440	¥(948)	¥(246,190)	¥(133,764)	¥1,374,121	¥43,227	¥1,417,348
Net income for the year						202,054						202,054		202,054
Cash dividends						(33,661)						(33,661)		(33,661)
Purchase of treasury stock		(4)					(15)					(15)		(15)
Disposal of treasury stock		329		236			617					853		853
Net change in the year					522			67,264	(145)	160,013	35,900	263,554	12,831	276,385
Balance at December 31, 2013		**782,987**	**¥126,354**	**¥122,866**	**¥1,621**	**¥1,597,140**	**¥(56,645)**	**¥200,704**	**¥(1,093)**	**¥(86,177)**	**¥(97,864)**	**¥1,806,906**	**¥56,058**	**¥1,862,964**

							Accumulated other comprehensive income						
	Note	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Net unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivative instruments	Foreign currency translation adjustments	Postretirement liability adjustments for foreign consolidated companies	Total	Minority interests	Total equity
	2												Thousands of U.S. dollars
Balance at December 31, 2012		$1,198,918	$1,163,583	$10,428	$13,556,761	$(543,192)	$1,266,154	$(8,995)	$(2,335,990)	$(1,269,229)	$13,038,438	$410,162	$13,448,600
Net income for the year					1,917,203						1,917,203		1,917,203
Cash dividends					(319,395)						(319,395)		(319,395)
Purchase of treasury stock						(142)					(142)		(142)
Disposal of treasury stock			2,239			5,854					8,093		8,093
Net change in the year				4,953			638,239	(1,376)	1,518,294	340,640	2,500,750	121,748	2,622,498
Balance at December 31, 2013		**$1,198,918**	**$1,165,822**	**$15,381**	**$15,154,569**	**$(537,480)**	**$1,904,393**	**$(10,371)**	**$(817,696)**	**$(928,589)**	**$17,144,947**	**$531,910**	**$17,676,857**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Bridgestone Corporation and Subsidiaries
Years ended December 31, 2013 and 2012

	Note	2013	2012	2013
	2		Millions of yen	Thousands of U.S. dollars
Cash Flows from Operating Activities:				
Income before income taxes and minority interests		¥ 340,098	¥ 268,052	$ 3,227,042
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization		176,180	155,066	1,671,696
Increase (decrease) in allowance for doubtful accounts		2,557	959	24,262
Increase (decrease) in accrued pension and liability for retirement benefits		(12,446)	(3,796)	(118,095)
Interest and dividend income		(12,510)	(8,891)	(118,702)
Interest expense		14,826	16,462	140,677
Foreign currency exchange losses (gains)		(2,245)	(186)	(21,302)
Share of profit of entities accounted for using equity method		(2,065)	(787)	(19,594)
Gain on sales of property, plant and equipment		(5,031)	(3,011)	(47,737)
Gain on sales of investments in securities		(2,048)	(4,055)	(19,433)
Impairment loss		11,300	14,025	107,221
Loss on disposals of property, plant and equipment		4,063	3,011	38,552
Dismantlement expenses		3,370	4,118	31,976
Loss related to US antitrust laws		44,791	—	425,002
Loss related to recall		22,504	—	213,531
Plant restructuring costs in Japan		8,653	—	82,105
Plant restructuring costs in Europe		5,044	—	47,860
Loss on business withdrawal		—	2,903	—
Change in assets and liabilities:				
Decrease (increase) in notes and accounts receivable		(48,420)	43,792	(459,436)
Decrease (increase) in inventories		43,916	47,596	416,700
Increase (decrease) in notes and accounts payable		14,050	(42,986)	133,314
Other		(14,802)	(24,092)	(140,449)
Subtotal		591,785	468,180	5,615,191
Interest and dividends received		12,479	8,944	118,408
Interest paid		(14,826)	(16,701)	(140,678)
Income taxes paid		(117,667)	(55,956)	(1,116,491)
Net Cash Provided by Operating Activities		471,771	404,467	4,476,430
Cash Flows from Investing Activities:				
Payments for purchase of property, plant and equipment		(267,033)	(240,145)	(2,533,760)
Proceeds from sales of property, plant and equipment		10,087	11,178	95,711
Purchase of intangible assets		(7,534)	(4,845)	(71,487)
Proceeds from sales of investments in securities		3,660	4,823	34,728
Payments of loans receivable		(3,067)	(1,271)	(29,101)
Proceeds from collection of loans receivable		1,247	1,071	11,832
Other		(2,590)	(8,739)	(24,575)
Net Cash Used in Investing Activities		(265,230)	(237,928)	(2,516,652)
Cash Flows from Financing Activities:				
Net increase (decrease) in short-term debt		(81,077)	(38,019)	(769,304)
Proceeds from long-term debt		12,833	68,786	121,767
Repayments of long-term debt		(79,420)	(61,250)	(753,582)
Proceeds from minority interests for additional shares		1,933	—	18,341
Cash dividends paid		(33,655)	(21,912)	(319,338)
Cash dividends paid to minority		(4,269)	(2,117)	(40,507)
Other		(68)	(839)	(645)
Net Cash Used in Financing Activities		(183,723)	(55,351)	(1,743,268)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		32,362	29,388	307,069
Net Increase (Decrease) in Cash and Cash Equivalents		55,180	140,576	523,579
Cash and Cash Equivalents at Beginning of Year		269,416	128,840	2,556,372
Cash and Cash Equivalents at End of Year		¥ 324,596	¥ 269,416	$ 3,079,951

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Bridgestone Corporation and Subsidiaries

Note 1

Nature of operations

Bridgestone Corporation and its subsidiaries (hereinafter referred to collectively as the "Companies") engage in developing, manufacturing and marketing tires and diversified products. The Companies market their products worldwide and operate manufacturing plants in every principal market. Development activities take place primarily in Japan, the United States of America ("U.S.") and Europe.

Tire operations include retread business, automotive maintenance and repairs, retail business and raw material supplies, as well as tire development, manufacturing and marketing. Diversified products include industrial products, chemical products, automotive components, construction materials, electronic equipment, bicycles and sporting goods.

Note 2

Basis of presentation of consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards and the accounting principles generally accepted in U.S. ("U.S. GAAP").

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Bridgestone Corporation (the "Company") is incorporated and operates. 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 ¥105.39 to $1, the approximate rate of exchange at December 31, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Note 3

Summary of significant accounting policies

(1) Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries in which the Company has effective control. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are also eliminated.

Investments in affiliated companies, primarily those owned 20% to 50%, are accounted for under the equity method with appropriate adjustments for intercompany profits and dividends. Share of profit of entities accounted for using equity method is included in other income (expenses) in the consolidated statements of income.

The number of consolidated subsidiaries and affiliated companies for 2013 and 2012 is summarized below:

	2013	2012
Consolidated subsidiaries	311	316
Affiliated companies	146	148

(2) Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or U.S. GAAP tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (i) amortization of goodwill; (ii) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (iii) expensing capitalized development costs of R&D; (iv) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and (v) exclusion of minority interests from net income, if contained in net income.

(3) Unification of accounting policies applied to foreign affiliated companies for the equity method

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the affiliate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the affiliate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign affiliated companies in accordance with either International Financial Reporting Standards or U.S. GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (i) amortization of goodwill; (ii) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (iii) expensing capitalized development costs of R&D; (iv) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and (v) exclusion of minority interests from net income, if contained in net income.

(4) Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include highly liquid investments with original maturities of three months or less.

(5) Allowance for doubtful accounts

Allowance for doubtful accounts is established in amounts considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(6) Inventories

Inventories are substantially stated at the lower of cost, determined by the average method or net selling value.

Meanwhile, inventories held by subsidiaries in U.S. are substantially stated at the lower of cost, which is determined principally by the last-in, first-out method, or market.

(7) Marketable and investment securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (i) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gain and loss are included in earnings; (ii) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and (iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gain and loss, net of applicable taxes, reported in a separate component of equity. Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investments in securities are reduced to net realizable value by a charge to income.

The Companies do not hold securities for trading purposes.

(8) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to property, plant and equipment of the Company's overseas subsidiaries. Maintenance, repair and minor renewals are charged to income as incurred.

(9) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or asset group, or the net selling price at disposition.

(10) Goodwill

Goodwill recorded by subsidiaries, and the excess of cost of the Company's investments in subsidiaries and affiliated companies over its equity at the respective dates of acquisition, are mainly being amortized on a straight-line basis over a reasonable economical life of up to twenty years.

(11) Provision for sales returns

Provision for sales returns is estimated and recorded principally to provide for future losses on the return of snow tires.

(12) Provision for loss related to US antitrust laws

Due to the plea agreement with the U.S. Department of Justice regarding sales of certain automobile parts, an estimated amount of future obligations is recorded.

(13) Provision for recall

In order to reserve for outlays related to check and replacement of object tires, an estimated amount of future obligations is recorded.

(14) Provision for plant restructuring in Japan

In order to reserve for plant restructuring costs in Japan, an estimated amount of future obligations is recorded.

(15) Provision for product warranties

The provision for product warranties, included in other liabilities, is estimated and recorded at the time of sale to provide for future potential costs, such as costs related to after-sales services, in amounts considered to be appropriate based on the Companies' past experience.

(16) Provision for environmental remediation

In order to reserve for outlays for legally required removal and disposal of polychlorinated biphenyl (“PCB”) and other, the estimated amount of future obligations is recorded.

(17) Retirement and pension plans

Employees serving with the Company and its domestic subsidiaries are generally entitled to a lump-sum payment at retirement and, in certain cases, annuity payments, provided by funded defined benefit pension plans based on the rates of pay at the time of termination, years of service and certain other factors. The Company and its domestic subsidiaries account for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. Prior service costs, and actuarial gain or loss are being amortized over ten years.

For certain overseas subsidiaries, unrecognized actuarial gain or loss at the beginning of the fiscal year that exceed 10% of the larger of retirement benefit obligations or pension plan assets is treated as an expense using the straight-line method over a fixed number of years (8 to 12 years) based on the average remaining years of service.

In addition, at certain consolidated subsidiaries in the Americas, an estimated total amount of expenses for post-retirement benefits in addition to pensions is allotted based on the number of years of service provided by the employees.

At certain overseas subsidiaries, unrecognized amounts of actuarial gain or loss not yet treated as expenses are recorded under accumulated other comprehensive income in a separate component of equity on the balance sheet.

(18) Asset Retirement Obligations

In March 2008, the ASBJ published ASBJ Statement No. 18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21 “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(19) Leases

Finance leases are capitalized, and the present value of the related payments is recorded as a liability. Amortization of capitalized leased assets is computed substantially by the declining-balance method based on the term of the lease.

(20) Income taxes

The provision for income taxes is computed based on income before income taxes included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred income taxes are measured by applying currently enacted tax laws to the temporary differences. A valuation allowance is provided for any portion of the deferred tax assets where it is considered more likely than not that they will not be realized.

(21) Foreign currency transactions

Short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date. The foreign currency exchange gain or loss from translation is recognized in the consolidated statement of income.

(22) Foreign currency financial statements

The balance sheet accounts of the Company’s overseas subsidiaries are translated into Japanese yen at the current exchange rate at the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as foreign currency translation adjustments under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of the Company’s overseas subsidiaries are translated into Japanese yen at the average annual exchange rate.

(23) Derivatives and hedging activities

The Companies use derivative financial instruments to manage their exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Foreign currency forward contracts, currency swap contracts and currency option contracts are utilized by the Companies to reduce foreign currency exchange risks. Interest rate swaps are utilized by the Companies to reduce interest rate risks. Also, commodity swap contracts are utilized by the Companies to reduce commodity price risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (i) all derivatives are recognized as either assets or liabilities and measured at fair value, and gain or loss on derivative transactions are recognized in the consolidated statement of income; and (ii) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gain or loss on derivatives is deferred until maturity of the hedged transactions.

Foreign currency forward contracts which are designated as hedging exposure to variable cash flows of forecasted transactions are measured at fair value, and the unrealized gain or loss is deferred until the underlying transactions are completed. Other foreign currency forward contracts, currency swap contracts and currency option contracts employed to hedge foreign currency exchange exposures to changes in fair value and in cash flow are also measured at fair value but the unrealized gain or loss is recognized in income. Short-term and long-term debt denominated in foreign currencies for which foreign currency forward contracts and currency swap contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the foreign currency forward contracts and currency swap contracts qualify for hedge accounting. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expenses or income. The gain or loss on commodity swap contracts used to hedge fluctuations of commodity prices is recognized currently in income.

(24) Per share of common stock

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common stock outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants and stock options.

Cash dividends per share presented in the consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

(25) Reclassification

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

(26) Changes in presentation

Consolidated Statement of Income

Prior to January 1, 2013, the “Share of profit of entities accounted for using equity method” was included in “Other–net” within the other income (expenses) section of the consolidated statement of income. Since during this fiscal year ended December 31, 2013 the materiality of the amount increased, such amount was disclosed separately in the other income (expenses) section of the consolidated statement of income for the year ended December 31, 2013. The amount of the “Share of profit of entities accounted for using equity method” included in “Other–net” for the year ended December 31, 2012 was ¥2,146 million.

Consolidated statement of cash flows

Prior to January 1, 2013, the “Amortization of goodwill” was disclosed separately in the cash flows from operating activities section of the consolidated statement of cash flows. Since during this fiscal year ended December 31, 2013 the materiality of the amount decreased, such amount was included in “Other” within the cash flows from operating activities section of the consolidated statement of cash flows. The amount included in “Other” for the year ended December 31, 2012 was ¥1,446 million.

Prior to January 1, 2013, the “Increase (decrease) in allowance for doubtful accounts,” “Foreign currency exchange losses (gains)” and the “Share of profit of entities accounted for using equity method” were included in “Other” within the cash flows from operating activities section of the consolidated statement of cash flows. Since during this fiscal year ended December 31, 2013 the materiality of these amounts increased, such amounts were disclosed separately in the cash flows from operating activities section of the consolidated statement of cash flows for the year ended December 31, 2013. The amounts of the “Increase (decrease) in allowance for doubtful accounts,” “Foreign currency exchange losses (gains)” and the “Share of profit of entities accounted for using equity method” included in “Other” for the year ended December 31, 2012 were ¥959 million, ¥186 million (gains) and ¥787 million, respectively.

(27) Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24 “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24 “Guidance on Accounting Standard for Accounting Changes and Error Corrections.” Accounting treatments under this standard and guidance are as follows:

(i) Changes in accounting policies
When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.
(ii) Changes in presentation
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.
(iii) Changes in accounting estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
(iv) Corrections of prior period errors
When an error in prior period financial statements is discovered, those statements are restated.

(28) Accounting changes

Application of IAS 19 "Employee Benefits" (amended in June 16, 2011)
Due to the application of IAS 19 "Employee Benefits" (amended in June 16, 2011) on or after January 1, 2013, principally the method of recognition with respect to actuarial gains and losses, past service cost and interest cost and certain presentation were changed from this fiscal year in certain overseas subsidiaries.

This accounting policy change is applied retrospectively and cumulative effect is reflected to the beginning balance of equity. The effect of this retrospective application on the consolidated financial statements is immaterial.

Changes in the depreciation method for the property, plant and equipment
The Company and its domestic subsidiaries changed the depreciation method for the property, plant and equipment acquired on or after January 1, 2013 due to the revision of Japanese Corporation Tax Law and its regulation. The effect of this adoption on the consolidated financial statement is immaterial.

(29) New accounting pronouncements

Accounting standard for retirement benefits
On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, and followed by partial amendments from time to time through 2009.

Major changes are as follows:
(i) Treatment in the balance sheet
Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
(ii) Treatment in the statement of income and the statement of comprehensive income
The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.
(iii) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases
The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (1) and (2) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (3) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company expects to apply the revised accounting standard for (1) and (2) above from the end of the annual period beginning on January 1, 2014, and for (3) above from the beginning of the annual period beginning on January 1, 2015, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

Accounting standards for business combinations and consolidated financial statements

On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements."

Major accounting changes are as follows:

(i) Transactions with noncontrolling interest

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(ii) Presentation of the consolidated balance sheet

In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(iii) Presentation of the consolidated statement of income

In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(iv) Provisional accounting treatments for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisioned amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(v) Acquisition-related costs

Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for "transactions with noncontrolling interest," "acquisition-related costs" and "presentation changes in the consolidated financial statements" are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for the presentation changes in the consolidated financial statements. In case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" is permitted. In retrospective application of the revised standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs," accumulated effects of retrospective adjustments for all "transactions with noncontrolling interest" and "acquisition-related costs" which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application.

In prospective application, the new standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for "provisional accounting treatments for a business combination" are effective for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance from the beginning of the annual period beginning on January 1, 2016, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

Note 4

Inventories

Inventories at December 31, 2013 and 2012 consist of the following:

	2013	2012	2013
		Millions of yen	Thousands of U.S. dollars
Finished products	¥354,370	¥321,013	$3,362,463
Work in process	37,354	34,525	354,436
Raw materials and supplies	165,380	165,188	1,569,219
Total	¥557,104	¥520,726	$5,286,118

Note 5

Marketable and investment securities

Information regarding each category of available-for-sale securities at December 31, 2013 and 2012 is as follows:

	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value
				2013				2012
								Millions of yen
Securities Classified as:								
Available-for-sale:								
Equity securities	¥38,755	¥260,175	¥ (1)	¥298,929	¥38,850	¥169,597	¥ (72)	¥208,375
Debt securities	12,791	22	(335)	12,478	11,256	60	(1,037)	10,279

	Cost	Unrealized gains	Unrealized losses	Fair value
				Thousands of U.S. dollars
Securities Classified as:				
Available-for-sale:				
Equity securities	$367,729	$2,468,688	$ (9)	$2,836,408
Debt securities	121,368	209	(3,179)	118,398

In addition to the above, the Companies have available-for-sale securities classified as marketable securities under U.S. GAAP by ¥97,588 million ($925,971 thousand), and ¥71,307 million, respectively, for the years ended December 31, 2013 and 2012.

Available-for-sale securities whose fair values are not readily determinable at December 31, 2013 and 2012 are mainly as follows:

	2013	2012	2013
Carrying amount		Millions of yen	Thousands of U.S. dollars
Available-for-sale:			
Equity securities	¥1,812	¥1,963	$17,193

Proceeds from sales of available-for-sale securities for the years ended December 31, 2013 and 2012 are ¥3,368 million ($31,957 thousand) and ¥4,745 million, respectively. Gross realized gains on these sales, for the years ended December 31, 2013 and 2012, computed on the moving average cost basis, are ¥1,978 million ($18,768 thousand) and ¥4,055 million. Gross realized losses on these sales, for the year ended December 31, 2012, computed on the moving average cost basis, is ¥12 million.

The information of available-for-sale securities which were sold during the year ended December 31, 2013 is as follows:

	Proceeds	Realized gains	Realized losses	Proceeds	Realized gains	Realized losses
						2013
			Millions of yen			Thousands of U.S. dollars
Securities Classified as:						
Available-for-sale:						
Equity securities	¥3,368	¥1,978	¥—	$31,957	$18,768	$—

Note 6

Short-term and long-term debt

Short-term debt at December 31, 2013 and 2012 consists of the following:

	2013	2012	2013
		Millions of yen	Thousands of U.S. dollars
Short-term bank loans, weighted average interest rate of 3.6% at December 31, 2013 and 1.9% at December 31, 2012	¥111,753	¥124,304	$1,060,376
Commercial paper, weighted average interest rate of 0.5% at December 31, 2012	—	40,435	—
Total	¥111,753	¥164,739	$1,060,376

Long-term debt at December 31, 2013 and 2012 consists of the following:

	2013	2012	2013
		Millions of yen	Thousands of U.S. dollars
Borrowings from banks, insurance companies and others, weighted average interest rate of 2.3% at December 31, 2013 and 2.7% at December 31, 2012 denominated mainly in Japanese yen, U.S. dollars and Euros:			
Secured	¥ 6,080	¥ 4,484	$ 57,690
Unsecured	320,212	316,364	3,038,353
0.9% yen unsecured straight bonds, due 2013	—	50,000	—
0.8% yen unsecured straight bonds, due 2014	60,000	60,000	569,314
0.2% yen unsecured straight bonds, due 2016	30,000	—	284,657
0.3% yen unsecured straight bonds, due 2018	20,000	—	189,771
0.8% euro unsecured medium term notes due 2014 at December 31, 2013 and due 2013—2014 with interest rates ranging from 0.4% to 1.2% at December 31, 2012	3,794	14,094	36,000
Obligations under finance leases	12,435	10,413	117,990
Total	452,521	455,355	4,293,775
Less current portion	(169,795)	(120,356)	(1,611,111)
Long-term Debt, Less Current Portion	¥ 282,726	¥ 334,999	$ 2,682,664

Annual maturities of long-term debt at December 31, 2013 are as follows:

Year ending December 31,	Millions of yen	Thousands of U.S. dollars
2014	¥169,795	$1,611,111
2015	92,225	875,083
2016	81,525	773,555
2017	38,749	367,672
2018	50,963	483,566
2019 and thereafter	19,264	182,788
Total	¥452,521	$4,293,775

Notes and accounts receivable, inventories, and property, plant and equipment were pledged as collateral for certain bank loans. The aggregate carrying amount of the assets pledged as collateral for short-term bank loans of ¥1,520 million ($14,423 thousand) and long-term bank loans of ¥6,080 million ($57,690 thousand) at December 31, 2013 is ¥8,110 million ($76,952 thousand).

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in the case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

Effective January 2014, Bridgestone Americas, Inc. ("BSAM") and its major subsidiaries in U.S. entered into separate twelfth amended and restated revolving credit agreements with a syndicate of banks providing an aggregate borrowing commitment of $1,100 million. The revolving credit agreement consists of two tranches, each of which has an aggregate borrowing commitment of $550 million, and which expire in January 2015 and January 2016, respectively. These agreements contain certain customary affirmative and negative covenants, the most restrictive of which include (i) the maintenance by BSAM and its major subsidiaries of their consolidated tangible net worth and (ii) restrictions on entering into additional debt arrangements and the sale of assets. The above agreements replaced the separate eleventh amended and restated revolving credit agreements, which expired on January 2014 and provided the Company with a total aggregate borrowing commitment of $1,095 million.

Note 7

Retirement and pension plans

Employees serving with the Company and its domestic subsidiaries are generally entitled to a lump-sum payment at retirement and, in certain cases, annuity payments at retirement, provided by funded defined benefit pension plans based on the rate of pay at the time of termination, years of service and certain other factors. There are defined contribution pension plans available for the employees as well provided by the Company and certain of its domestic subsidiaries. There are escalated payment plans for voluntary retirement at certain specific ages prior to the mandatory retirement age.

Employees serving with certain of the Company's overseas subsidiaries are entitled to either corporate pension or each of a lump-sum payment at retirement, funded defined benefit pension plans as well as defined contribution pension plans.

The liability for employees' retirement benefits at December 31, 2013 and 2012 consist of the following:

	2013	2012	2013
		Millions of yen	Thousands of U.S. dollars
Projected benefit obligation	¥ 665,525	¥ 617,551	$ 6,314,878
Fair value of plan assets	(499,094)	(388,490)	(4,735,686)
Unrecognized prior service cost	1,879	4,332	17,829
Unrecognized actuarial gain (loss)	(15,832)	(12,044)	(150,223)
Prepaid benefit cost	13,877	12,864	131,673
Other	(1,704)	(1,592)	(16,169)
Net Liability	¥ 164,651	¥ 232,621	$ 1,562,302

Certain subsidiaries utilize a simplified method in calculating their retirement benefit obligation.

Of the accrued pension and liability for retirement benefits noted above, a liability for postretirement benefits of ¥72,096 million ($684,088 thousand) and ¥70,173 million is included in the consolidated balance sheets at December 31, 2013 and 2012, respectively.

The components of the net periodic benefit costs for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012	2013
		Millions of yen	Thousands of U.S. dollars
Service cost	¥ 19,912	¥ 17,060	$ 188,936
Interest cost	22,073	19,404	209,441
Expected return on plan assets	(25,568)	(19,374)	(242,603)
Recognized actuarial loss	17,138	16,144	162,615
Amortization of prior service cost	(1,633)	(1,791)	(15,495)
Net Periodic Benefit Costs	¥ 31,922	¥ 31,443	$ 302,894

Net periodic benefit costs noted above do not include payment costs for defined contribution pension plans provided by the Company and certain of its domestic and overseas subsidiaries of ¥7,203 million ($68,346 thousand) and ¥5,945 million for the years ended December 31, 2013 and 2012, respectively.

Assumptions used in actuarial calculations for the years ended December 31, 2013 and 2012 are set forth as follows:

	The Company and domestic subsidiaries	Overseas subsidiaries	The Company and domestic subsidiaries	Overseas subsidiaries
		2013		2012
Discount rate	1.6 to 1.9%	3.8 to 5.0%	1.7 to 2.5%	3.1 to 4.1%
Expected rate of return on plan assets	2.5%	5.5 to 9.0%	2.5%	5.5 to 9.0%
Amortization period of prior service cost	10 years	3 to 12 years	10 years	3 to 12 years
Recognized period of actuarial gain or loss	10 years	8 to 12 years	10 years	8 to 12 years

Note 8

Equity

Significant provisions in the Companies Act of Japan (the “Act”) that affect financial and accounting matters are summarized below:

(i) Dividends:

The Act allows Japanese companies to pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For Japanese companies that meet certain criteria such as having a Board of Directors, having independent auditors, having an Audit & Supervisory Board, and the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Act permits Japanese companies to distribute dividends in kind (non-cash assets) to shareholders subject to certain limitations and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Act continues to provide certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

(ii) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus:

The Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (of retained earnings) or as additional paid-in capital (of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(iii) Treasury Stock and Treasury Stock Acquisition Rights:

The Act also provides for Japanese companies to repurchase/dispose of treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Act, stock acquisition rights are presented as a separate component of equity. The Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

Note 9

Stock-based compensation

The stock options outstanding as of December 31, 2013 are as follows:

Date of approval	Persons granted		Number of options granted (Thousands of shares)	Date of grant	Exercise price	Exercise period
March 30, 2006 at the general shareholders meeting	Directors Selected employees	10 68	280	April 28, 2006	¥2,775 ($26.33)	from April 1, 2008 to March 31, 2013
March 29, 2007 at the general shareholders meeting	Directors Selected employees	9 65	260	May 1, 2007	¥2,546 ($24.16)	from April 1, 2009 to March 31, 2014
March 27, 2008 at the general shareholders meeting and the board of directors	Directors Selected employees	7 80	234.5	May 1, 2008	¥1,936 ($18.37)	from April 1, 2010 to March 31, 2015
March 26, 2009 at the general shareholders meeting and the board of directors	Directors Corporate officers not doubling as directors	9 20	110	May 1, 2009	¥1 ($0.01)	from May 1, 2009 to April 30, 2029
March 30, 2010 at the general shareholders meeting and the board of directors	Directors Corporate officers not doubling as directors	8 25	118.5	May 6, 2010	¥1 ($0.01)	from May 6, 2010 to April 30, 2030
March 29, 2011 at the general shareholders meeting and the board of directors	Directors Corporate officers not doubling as directors	9 36	154.5	May 2, 2011	¥1 ($0.01)	from May 2, 2011 to April 30, 2031
March 27, 2012 at the general shareholders meeting and the board of directors	Directors Corporate officers not doubling as directors	9 35	202	May 1, 2012	¥1 ($0.01)	from May 1, 2012 to April 30, 2032
March 26, 2013 at the general shareholders meeting and the board of directors	Directors Corporate officers not doubling as directors	4 36	196	May 1, 2013	¥1 ($0.01)	from May 1, 2013 to April 30, 2033

The stock option activity is as follows:

	March 30, 2006	March 29, 2007	March 27, 2008	March 26, 2009	March 30, 2010	March 29, 2011	March 27, 2012	March 26, 2013
Non-vested (Thousands of shares)								
Outstanding at December 31, 2012	—	—	—	—	—	—	—	—
Granted	—	—	—	—	—	—	—	196
Expired	—	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—	196
Outstanding at December 31, 2013	—	—	—	—	—	—	—	—
Vested (Thousands of shares)								
Outstanding at December 31, 2012	280	260	230.5	108	118.5	154.5	202	—
Vested	—	—	—	—	—	—	—	196
Exercised	83	95.9	129	5	2.5	5	6	1.5
Expired	197	—	—	—	—	—	—	—
Outstanding at December 31, 2013	—	164.1	101.5	103	116	149.5	196	194.5
Exercise price	¥2,775 ($26.33)	¥2,546 ($24.16)	¥1,936 ($18.37)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at exercise	¥3,144 ($29.83)	¥3,379 ($32.06)	¥3,284 ($31.16)	¥2,833 ($26.88)	¥3,549 ($33.67)	¥3,549 ($33.67)	¥3,814 ($36.19)	¥3,814 ($36.19)
Fair value price at grant date	—	¥447 ($4.24)	¥399 ($3.79)	¥1,264 ($11.99)	¥1,400 ($13.28)	¥1,656 ($15.71)	¥1,648 ($15.64)	¥3,313 ($31.44)

The fair value price is estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	March 26, 2013
Volatility of stock price	32.492%
Estimated remaining outstanding period	10 years
Estimated dividend per share	¥32 ($0.30)
Risk-free interest rate	0.581%

Note 10

Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended December 31, 2013 and 2012 is as follows:

	Net income	Weighted-average shares	EPS	
			For the year ended December 31, 2013	
	Millions of yen	Thousands of shares	Yen	U.S. dollars
Basic EPS Net income available to common shareholders	¥202,054	782,860	¥258.10	$2.45
Effect of dilutive securities Stock options		879		
Diluted EPS Net income for computation	¥202,054	783,739	¥257.81	$2.45

	Net income	Weighted-average shares	EPS	
			For the year ended December 31, 2012	
	Millions of yen	Thousands of shares	Yen	U.S. dollars
Basic EPS Net income available to common shareholders	¥171,606	782,662	¥219.26	
Effect of dilutive securities Stock options		583		
Diluted EPS Net income for computation	¥171,606	783,245	¥219.10	

Note 11

Research and development costs

Research and development costs are charged to income as incurred.

Research and development costs are ¥89,098 million ($845,412 thousand), and ¥82,801 million for the years ended December 31, 2013 and 2012, respectively.

Note 12

Other income (expenses)

Gain on sales of property, plant and equipment

Gain on sales of property, plant and equipment for the years ended December 31, 2013 and 2012 mainly consists of gain on sales of land.

Impairment loss

The Companies group their operating assets in accordance with the classifications used for internal management. Assets to be disposed (assets that the Companies plan to dispose of through scrapping or sale) and idle assets are grouped on an individual basis.

For assets for business whose profitability has declined, assets to be disposed through planned scrapping or sale, and idle assets that are not expected to be used in the future, the carrying amounts were reduced to the recoverable amounts, and the amounts of these reductions were recorded under Other Expenses as impairment loss. Impairment loss of ¥11,300 million ($107,221 thousand) for the year ended December 31, 2013 included ¥3,291 million ($31,227 thousand) for machinery and equipment, ¥1,724 million ($16,358 thousand) for buildings and structures, ¥415 million ($3,938 thousand) for land, and ¥5,870 million ($55,698 thousand) for others.

			2013	
Use	Classification	Location	Amount (Millions of yen)	Amount (Thousands of U.S.dollars)
Assets for business	Machinery and equipment, buildings and structures, other	China, Japan, other	¥5,146	$48,828
Assets to be disposed	Machinery and equipment, other	Poland, Japan	6,049	57,397
Idle assets	Land	Japan	105	996

Impairment loss of ¥14,025 million for the year ended December 31, 2012 included ¥4,261 million for machinery and equipment, ¥3,431 million for buildings and structures, and ¥6,333 million for others.

			2012
Use	Classification	Location	Amount (Millions of yen)
Assets for business	Machinery and equipment, buildings and structures, other	Japan, United States of America, other	¥4,654
Assets to be disposed	Machinery and equipment, buildings and structures, other	Japan	6,066
Idle assets	Machinery and equipment, other	Japan, other	3,305

The recoverable amount of assets for business is measured by value in use, which is calculated by discounting future cash flows at a discount rate of 5.1% to 13.5% and 4.3% to 7.5% for the years ended December 31, 2013 and 2012, respectively. The recoverable amounts of assets to be disposed and idle assets are measured at the net selling price. Assets to be scrapped are evaluated at memorandum value, and assets to be sold and idle assets are evaluated at the estimated selling price and other.

Loss related to US antitrust laws

During the year ended December 31, 2013, the Company has recorded the related loss as a result of entering into the plea agreement with the U.S. Department of Justice on February 14, 2014 regarding sales of certain automobile parts.

Loss related to recall

During the year ended December 31, 2013, due to the Company implementing a recall for certain medium-size and large-size truck and bus tires manufactured by the Tochigi Plant and by BRIDGESTONE (SHENYANG) TIRE CO., LTD., a consolidated subsidiary, the expenses related to the check, replacement, etc. of the recalled tires were recorded.

Plant restructuring costs in Japan

During the year ended December 31, 2013, the Company records the related expenses based on the resolution related to the closure of Kuroiso Plant as a part of production realignment in Japan.

Plant restructuring costs in Europe

During the year ended December 31, 2013, BRIDGESTONE EUROPE NV/SA (“BSEU”), a subsidiary of the Company and Regional Head Office in Europe, records related expenses based on the agreement of a conversion plan with the government, unions and other parties, in order to increase the competitiveness of the Bari Plant which is fully owned by BRIDGESTONE ITALIA S.P.A., a subsidiary of BSEU in Italy. BSEU had determined to close of the Bari Plant on March 4, 2013; however, the plan indicates the possibility of maintaining industrial activities under conditions to achieve the targeted levels of productivity and cost through the implementation of the commitments.

Loss on business withdrawal

During the year ended December 31, 2012, the Company has recorded the related expenses, as a result of the decision to withdraw from the electronic paper business.

➡ Note 13

Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 37.9% and 40.6% for the years ended December 31, 2013 and December 31, 2012, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at December 31, 2013 and 2012 are as follows:

	2013	2012	2013
		Millions of yen	Thousands of U.S. dollars
Deferred Tax Assets:			
Accrued pension and liability for retirement benefits	¥ 74,610	¥103,544	$ 707,942
Accrued expenses	32,994	24,420	313,066
Unrealized intercompany profits	31,513	24,394	299,013
Net operating loss carryforwards for tax purposes	56,820	41,551	539,140
Other	84,992	68,484	806,453
Less valuation allowance	(37,034)	(23,298)	(351,400)
Total	243,895	239,095	2,314,214
Deferred Tax Liabilities:			
Reserve for deferred gain related fixed assets for tax purposes	(13,390)	(13,330)	(127,052)
Unrealized gain on available-for-sale securities	(62,638)	(37,933)	(594,345)
Depreciation	(13,061)	(17,743)	(123,930)
Other	(37,362)	(12,283)	(354,511)
Total	(126,451)	(81,289)	(1,199,838)
Net deferred tax assets	¥ 117,444	¥157,806	$ 1,114,376

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the consolidated statements of income is as follows:

	2012
	%
Normal effective statutory tax rate	40.6%
Expenses not deductible for income tax purposes and income not taxable-net	0.7
Lower income tax rates applicable to income in certain consolidated subsidiaries	(6.3)
Tax credit for research and development costs of domestic companies	(2.1)
Change in valuation allowance for deferred tax assets	0.5
Other—net	(0.3)
Actual Effective Tax Rate	33.1%

For the year ended December 31, 2013, a reconciliation is not disclosed, since the difference is less than 5% of the normal effective statutory tax rate.

➡ Note 14

Financial instruments

1. Qualitative information on financial instruments

(1) Policies for using financial instruments

The Companies raise the necessary funds mainly by bank borrowings or issuance of bonds based on funding requirements of its business activities. The Companies invest temporary cash surpluses only in highly secured financial instruments. The Companies follow the policy of using derivative financial instruments not for speculative purposes, but for managing financial risks as described later.

(2) Details of financial instruments used and the exposures to risk

Receivables such as notes and accounts receivable are exposed to customer credit risk. Receivables in foreign currencies are exposed to foreign currency exchange fluctuation risk. Marketable securities consist primarily of the reservation of receivables liquidation regarded as marketable securities in U.S. GAAP, which are exposed to customer credit risk. Investments in securities consist primarily of equity securities of business partners, and are exposed to market price fluctuation risk.

Payment terms of payables, such as notes and accounts payable are less than one year. Payables in foreign currencies are exposed to foreign currency exchange fluctuation risk. Borrowings, bonds, and obligations under finance leases are used mainly for the purpose of obtaining working capital and preparing for capital expenditures. Some of these liabilities with floating interest rates are exposed to interest rate fluctuation risk.

Derivative transactions consist of the use of foreign currency forward contracts and currency option contracts for the purpose of hedging foreign currency exchange fluctuation risk on receivables, payables and forecasted transactions in foreign currencies; currency swap contracts for the purpose of hedging foreign currency exchange fluctuation risk and interest rate fluctuation risk on loans receivable; borrowings and bonds in foreign currencies; interest rate swap contracts for the purpose of hedging interest rate fluctuation risk on borrowings; and commodity swap contracts for the purpose of hedging commodity price fluctuation risk. Hedging instruments and hedged items, hedge policy, assessment method for hedge effectiveness and others related to hedge accounting, are described at Note 3. (23) "Derivatives and hedging activities" and Note 15 "Derivatives."

(3) Risk management of financial instruments

a. Management of credit risk

The Companies regularly monitor the financial position of significant customers and manage the due dates and the receivables balance of each customers to minimize the risk of default resulting from deterioration of a customer's financial position.

The Companies enter into derivative transactions only with highly rated financial institutions in order to minimize counterparty risk.

The maximum credit risk on December 31, 2013 is represented by the book value of the financial instruments exposed to credit risk on the consolidated balance sheets.

b. Management of market risk

The Company and certain of its subsidiaries principally use foreign currency forward contracts to hedge foreign currency exchange fluctuation risk identified by currency and monthly basis for receivables and payables in foreign currencies. Also, when receivables and payables in foreign currencies are expected from a forecasted transaction, foreign currency forward contracts and currency option contracts may be used. In addition, currency swap contracts are used to hedge foreign currency exchange fluctuation risk and interest rate fluctuation risk on loans receivable, borrowings and bonds in foreign currencies; interest rate swap contracts are used to hedge interest rate fluctuation risk on borrowings; and commodity swap contracts are used to hedge commodity price fluctuation risk on raw materials.

With respect to marketable and investment securities, the Company regularly monitors fair market values and financial positions of the issuers and appropriately reviews its status of these securities considering the relationships with the issuers.

Derivative transactions are carried out under internal regulations by the responsible divisions, and details of transactions are reported to the responsible corporate officers.

c. Management of liquidity risk in financing activities

The Companies practice effective money management by identifying their funding requirements beforehand based on cash flow projections. The Companies also strive to diversify their sources of financing in order to reduce liquidity risk.

(4) Supplementary explanation on fair value of financial instruments

Fair values of financial instruments include market prices and values calculated reasonably when there is no market price. Since variable factors are incorporated in calculating the relevant fair values, they may change depending on the different assumptions. The contract amounts described in Note 15 "Derivatives" do not indicate the amounts of market risk related to derivative transactions.

2. Fair values of financial instruments

Carrying amount, fair value and unrealized gain (loss) of the financial instruments as of December 31, 2013 are as follows:
Financial instruments whose fair values are not readily determinable are excluded from the following table:

	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
						2013
			Millions of yen			Thousands of U.S. dollars
(1) Cash and cash equivalents	¥ 324,596	¥ 324,596	¥ —	$ 3,079,951	$ 3,079,951	$ —
(2) Notes and accounts receivable	528,466			5,014,385		
Allowance for doubtful accounts[*1]	11,871			112,639		
	516,595	516,595	—	4,901,746	4,901,746	—
(3) Marketable and investment securities	408,995	408,995	—	3,880,776	3,880,776	—
Total	¥1,250,186	¥1,250,186	¥ —	$11,862,473	$11,862,473	$ —
(1) Short-term debt	¥ 111,753	¥ 111,753	¥ —	$ 1,060,376	$ 1,060,376	$ —
(2) Current portion of long-term debt	169,795	170,101	(306)	1,611,111	1,614,015	(2,904)
(3) Notes and accounts payable	358,128	358,128	—	3,398,121	3,398,121	—
(4) Income taxes payable	54,572	54,572	—	517,810	517,810	—
(5) Long-term debt	282,726	289,285	(6,559)	2,682,664	2,744,900	(62,236)
Total	¥ 976,974	¥ 983,839	¥(6,865)	$ 9,270,082	$ 9,335,222	$(65,140)
Derivative transactions[*2]	¥ (8,602)	¥ (8,602)	¥ —	$ (81,621)	$ (81,621)	$ —

	Carrying amount	Fair value	Unrealized gain (loss)
			2012
			Millions of yen
(1) Cash and cash equivalents	¥269,416	¥ 269,416	¥ —
(2) Notes and accounts receivable	444,670		
Allowance for doubtful accounts[*1]	8,075		
	436,595	436,595	—
(3) Marketable and investment securities	289,961	289,961	—
Total	¥995,972	¥ 995,972	¥ —
(1) Short-term debt	¥164,739	¥ 164,739	¥ —
(2) Current portion of long-term debt	120,356	120,476	(120)
(3) Notes and accounts payable	317,346	317,346	—
(4) Income taxes payable	55,827	55,827	—
(5) Long-term debt	334,999	346,416	(11,417)
Total	¥993,267	¥1,004,804	¥(11,537)
Derivative transactions[*2]	¥ (7,412)	¥ (7,412)	¥ —

*1 This comprises the allowance for doubtful accounts with respect to notes and accounts receivable, short-term loan receivable and others.
*2 Receivables and payables arising from derivative transactions are presented net. If the net amount is a liability, it is written in parentheses ( ).

Notes

1. Calculation method of fair values of financial instruments, investments in securities and derivative transactions are as follows:

Assets

(1) Cash and cash equivalents, (2) Notes and accounts receivable
The fair values approximate book values because of their short-term maturities.

(3) Marketable and investment securities
The fair values of the reservation of receivables liquidation are based on values calculated reasonably, the fair values of equity securities are based on the market prices at the securities exchanges, and the fair values of bonds are based on the market prices at the securities exchanges or on the prices disclosed by financial institutions. Information on available-for-sale securities is described in Note 5 "Marketable and investment securities."

Liabilities

(1) Short-term debt, (2) Current portion of long-term debt, (4) Income taxes payable
The fair values of bonds with market prices are based on the market prices. The fair values of others approximate book values because of their short-term maturities.

(3) Notes and accounts payable
The fair values approximate book values because of their short-term maturities.

(5) Long-term debt
The fair values of bonds with market prices are based on the market prices.
The fair values of bonds without market prices and long-term bank borrowings are determined by discounting the aggregated values of the principal and interest using an assumed interest rate as if identical debt was newly issued.

Derivative transactions

Derivative transaction information is described in Note 15 "Derivatives."

2. Financial instruments whose fair values are extremely difficult to calculate

	Carrying amount		
	2013	2012	2013
	Millions of yen		Thousands of U.S. dollars
Available-for-sale securities			
Unlisted equity securities	¥1,812	¥1,963	$17,193

It is extremely difficult to calculate their fair values because there are no market prices. Therefore, these items are not included in "(3) Marketable and investment securities."

3. Redemption schedule of monetary assets and investments in securities with contractual maturities

	Due 2014	Due 2015 to 2018	Due 2019 to 2023	Due 2024 and thereafter
	2013			
	Millions of yen			
Cash and cash equivalents	¥279,478	¥ —	¥ —	¥—
Notes and accounts receivable	528,466	—	—	—
Marketable and investment securities				
Available-for-sale securities with contractual maturities				
Public bonds	—	6,415	2,963	—
Corporate bonds	—	3,002	—	—
Other	45,118	—	—	—
	Thousands of U.S. dollars			
Cash and cash equivalents	$2,651,846	$ —	$ —	$—
Notes and accounts receivable	5,014,385	—	—	—
Marketable and investment securities				
Available-for-sale securities with contractual maturities				
Public bonds	—	60,869	28,115	—
Corporate bonds	—	28,485	—	—
Other	428,105	—	—	—

4. Please see Note 6 "Short-term and long-term debt" for annual maturities of long-term debt.

Note 15

Derivatives

The Companies enter into foreign currency forward contracts, currency swap contracts and currency option contracts to hedge foreign currency exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Companies enter into interest rate swap contracts to manage their interest rate exposures on certain liabilities. In addition, the Companies enter into commodity swap contracts to hedge the risk of fluctuation of commodity prices for raw materials.

All derivative transactions are entered into to hedge foreign currency, interest and commodity price exposures that arise in the course of the Companies' business. Accordingly, the market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk. Derivative transactions entered into by the Companies have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

The contract or notional amounts of derivatives which are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Companies' exposure to credit or market risk.

The outstanding balances of derivative contracts which do not qualify for hedge accounting at December 31, 2013 are as follows:

	Contract amount	Fair value	Unrealized gain (loss)
			2013
			Millions of yen
Foreign Currency Forward Contracts:			
Sell:			
U.S. dollar	¥50,853	¥(2,564)	¥(2,564)
Euro	22,766	(1,573)	(1,573)
Australian dollar	15,600	2	2
Russian ruble	13,331	(1,177)	(1,177)
Other	22,885	(417)	(417)
Buy:			
U.S. dollar	12,707	7	7
Poland zloty	6,967	(13)	(13)
Japanese yen	2,143	(89)	(89)
Danish krone	1,361	—	—
Australian dollar	756	(12)	(12)
Other	1,604	8	8
Currency Swap Contracts:			
South African rand receipt, U.S. dollar payment	¥39,352	¥ 1,485	¥ 1,485
Euro receipt, U.S. dollar payment	14,604	(548)	(548)
U.S. dollar receipt, Japanese yen payment	12,965	(1,133)	(1,133)
Poland zloty receipt, Japanese yen payment	12,747	(2,355)	(2,355)
Indian rupee receipt, U.S. dollar payment	7,996	1,406	1,406
Other	8,639	(304)	(304)

	Contract amount	Fair value	Unrealized gain (loss)
			2012
			Millions of yen
Foreign Currency Forward Contracts:			
Sell:			
U.S. dollar	¥39,419	¥(2,114)	¥(2,114)
Euro	19,261	(1,758)	(1,758)
Australian dollar	14,517	(731)	(731)
Russian ruble	17,188	(2,254)	(2,254)
Other	13,127	(657)	(657)
Buy:			
U.S. dollar	11,438	29	29
Japanese yen	1,230	(81)	(81)
Australian dollar	953	(6)	(6)
Other	1,151	(3)	(3)
Currency Swap Contracts:			
Euro receipt, U.S. dollar payment	¥ 7,293	¥ (257)	¥ (257)
U.S. dollar receipt, Japanese yen payment	1,637	(97)	(97)
Indian rupee receipt, U.S. dollar payment	7,760	159	159
Thai baht receipt, Japanese yen payment	2,749	(75)	(75)
Other	4,222	(161)	(161)
Interest Rate Swap Contracts:			
Floating rate receipt, fixed rate payment	¥ 3,600	¥ (30)	¥ (30)

	Contract amount	Fair value	Unrealized gain (loss)
			2013
			Thousands of U.S. dollars
Foreign Currency Forward Contracts:			
Sell:			
U.S. dollar	$482,522	$(24,329)	$(24,329)
Euro	216,017	(14,926)	(14,926)
Australian dollar	148,022	19	19
Russian ruble	126,492	(11,168)	(11,168)
Other	217,146	(3,957)	(3,957)
Buy:			
U.S. dollar	120,571	66	66
Poland zloty	66,107	(123)	(123)
Japanese yen	20,334	(844)	(844)
Danish krone	12,914	—	—
Australian dollar	7,173	(114)	(114)
Other	15,220	76	76
Currency Swap Contracts:			
South African rand receipt, U.S. dollar payment	$373,394	$14,091	$14,091
Euro receipt, U.S. dollar payment	138,571	(5,200)	(5,200)
U.S. dollar receipt, Japanese yen payment	123,019	(10,751)	(10,751)
Poland zloty receipt, Japanese yen payment	120,951	(22,346)	(22,346)
Indian rupee receipt, U.S. dollar payment	75,871	13,341	13,341
Other	81,972	(2,885)	(2,885)

The outstanding balances of derivative contracts which qualify for hedge accounting at December 31, 2013 are as follows:

	Primary hedged item	Contract amount	Fair value
			2013
			Millions of yen
Foreign Currency Forward Contracts:			
Sell:			
U.S. dollar	Accounts receivable	**¥22,501**	**¥(858)**
Euro		**7,565**	**(477)**
Australian dollar		**5,029**	**(8)**
Other		**60**	**3**
Buy:			
U.S. dollar	Accounts payable	**324**	**9**
Other		**40**	**3**

	Primary hedged item	Contract amount	Fair value
			2012
			Millions of yen
Foreign Currency Forward Contracts:			
Sell:			
U.S. dollar	Accounts receivable	¥15,238	¥(1,048)
Euro		6,879	(763)
Australian dollar		3,844	(296)
Other		28	(2)
Buy:			
U.S. dollar	Accounts payable	18,347	1,581
Other		1	—
Currency Swap Contracts:			
Euro receipt, U.S. dollar payment	Bonds and debts	¥11,631	¥ 416
Euro receipt, Japanese yen payment		4,323	272
South African rand receipt, U.S. dollar payment		3,820	463

	Primary hedged item	Contract amount	Fair value
			2013
			Thousands of U.S. dollars
Foreign Currency Forward Contracts:			
Sell:			
U.S. dollar	Accounts receivable	**$213,502**	**$(8,141)**
Euro		**71,781**	**(4,526)**
Australian dollar		**47,718**	**(76)**
Other		**569**	**28**
Buy:			
U.S. dollar	Accounts payable	**3,074**	**85**
Other		**380**	**28**

Note 16

Contingent liabilities and commitments

(a) Contingent liabilities

At December 31, 2013, the Companies have the following contingent liabilities:

	2013	
	Millions of yen	Thousands of U.S. dollars
Trade notes discounted	¥1,919	$18,209
Guarantees and similar items of bank borrowings	3	28
Total	¥1,922	$18,237

(b) Operating lease commitments

The Companies lease certain land, machinery, vehicles, computer equipment, office space and other assets. The minimum lease commitments under noncancelable operating leases at December 31, 2013 are as follows:

	2013	
	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 38,690	$ 367,113
Due after one year	168,135	1,595,360
Total	¥206,825	$1,962,473

Note 17

Segment information

For the years ended December 31, 2013 and 2012

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Companies' reportable segments are components of the Companies whose separate financial information is obtainable, and the Board of Directors and the Management Committee regularly consider these segments in order to decide the allocation of business resources and evaluate business performance.

The Companies' reportable segments consist mainly of Tire business that comprises the manufacture and sale of tires and tubes, sale of wheels and accessories, the manufacture and sale of retread material and services, auto maintenance, and Diversified products business that comprises Chemical and Industrial Products, BSAM Diversified Products*, sporting goods, bicycles, etc. Thus, the Companies have two reporting segments: Tires and Diversified products.

* BSAM Diversified Products: A business under BRIDGESTONE AMERICAS, INC. supplying commercial roofing materials and others.

2. Methods of measurement for the amounts of sales and income (loss), assets and other items for each reportable segment

The accounting policies for each reportable segment are consistent with those outlined in Note 3 "Summary of significant accounting policies." Reportable segment income figures are on an operating income basis. Internal sales and transfers between segments are mainly based on prices for third-party transactions.

3. Information about sales and income (loss), assets and other items by reportable segment

	Tires	Diversified products	Total	Reconciliations*	Consolidated
					Year ended December 31, 2013
					Millions of yen
Net Sales:					
External customers	¥3,033,660	¥534,431	¥3,568,091	¥ —	¥3,568,091
Inter-segment	3,243	11,787	15,030	(15,030)	—
Total	3,036,903	546,218	3,583,121	(15,030)	3,568,091
Segment income (Operating income)	¥ 399,497	¥ 38,560	¥ 438,057	¥ 75	¥ 438,132
Segment assets	¥3,175,923	¥402,226	¥3,578,149	¥ (1,104)	¥3,577,045
Other					
Depreciation and amortization	¥ 158,723	¥ 17,457	¥ 176,180	¥ —	¥ 176,180
Amortization of goodwill	923	57	980	—	980
Investment for equity-method affiliates	16,978	217	17,195	(4)	17,191
Increase in property, plant and equipment and intangible assets	255,908	19,067	274,975	—	274,975

	Tires	Diversified products	Total	Reconciliations*	Consolidated
					Year ended December 31, 2012
					Millions of yen
Net Sales:					
External customers	¥2,554,126	¥485,612	¥3,039,738	¥ —	¥3,039,738
Inter-segment	3,090	13,456	16,546	(16,546)	—
Total	2,557,216	499,068	3,056,284	(16,546)	3,039,738
Segment income (Operating income)	¥ 260,488	¥ 25,515	¥ 286,003	¥ (8)	¥ 285,995
Segment assets	¥2,672,866	¥368,873	¥3,041,739	¥ (1,940)	¥3,039,799
Other					
Depreciation and amortization	¥ 136,514	¥ 18,552	¥ 155,066	¥ —	¥ 155,066
Amortization of goodwill	961	485	1,446	—	1,446
Investment for equity-method affiliates	14,614	207	14,821	(5)	14,816
Increase in property, plant and equipment and intangible assets	223,672	22,460	246,132	—	246,132

	Tires	Diversified products	Total	Reconciliations*	Consolidated
					Year ended December 31, 2013
					Thousands of U.S. dollars
Net Sales:					
External customers	$28,785,084	$5,070,984	$33,856,068	$ —	$33,856,068
Inter-segment	30,771	111,842	142,613	(142,613)	—
Total	28,815,855	5,182,826	33,998,681	(142,613)	33,856,068
Segment income (Operating income)	$ 3,790,654	$ 365,879	$ 4,156,533	$ 712	$ 4,157,245
Segment assets	$30,134,956	$3,816,548	$33,951,504	$ (10,475)	$33,941,029
Other					
Depreciation and amortization	$ 1,506,054	$ 165,642	$ 1,671,696	$ —	$ 1,671,696
Amortization of goodwill	8,758	541	9,299	—	9,299
Investment for equity-method affiliates	161,097	2,059	163,156	(38)	163,118
Increase in property, plant and equipment and intangible assets	2,428,200	180,919	2,609,119	—	2,609,119

* The reconciliations are as follows.
1 Reconciliations of segment income refer to elimination of inter-segment transactions.
2 Reconciliations of segment assets refer to elimination of inter-segment receivables and payables.

4. Related information

1. Information about product and services

Information has been omitted, as the classification is the same as that for reportable segment.

2. Information about geographical areas

(1) Sales

	Japan	The Americas	United States*	Europe	Other	Total
Year ended December 31, 2013						
Millions of yen						
	¥ 674,840	**¥1,628,609**	**¥1,206,619**	**¥425,005**	**¥ 839,637**	**¥3,568,091**
Thousands of U.S. dollars						
	$6,403,264	**$15,453,164**	**$11,449,084**	**$4,032,688**	**$7,966,952**	**$33,856,068**

	Japan	The Americas	United States*	Europe	Other	Total
Year ended December 31, 2012						
Millions of yen						
	¥696,192	¥1,321,248	¥995,394	¥348,173	¥674,125	¥3,039,738

Note: Sales are classified by country or region based on location of customers.
* The figures for the United States is included in that of The Americas.

(2) Property, plant and equipment

	Japan	The Americas	United States*1	Europe	Other	China*2	Total
Year ended December 31, 2013							
Millions of yen							
	¥358,325	**¥459,510**	**¥339,970**	**¥158,932**	**¥358,293**	**¥140,256**	**¥1,335,060**
Thousands of U.S. dollars							
	$3,399,991	**$4,360,091**	**$3,225,828**	**$1,508,037**	**$3,399,686**	**$1,330,828**	**$12,667,805**

	Japan	The Americas	United States*1	Europe	Other	China*2	Total
Year ended December 31, 2012							
Millions of yen							
	¥374,950	¥339,622	¥211,787	¥131,947	¥272,417	¥103,984	¥1,118,936

*1 The figures for the United States is included in that of The Americas.
*2 The figures for China is included in that of Other.

3. Information about major customers

The Companies are not required to disclose information on external customers, since there are no sales to a single external customer amounting to 10% or more of the Companies' net sales.

5. Information about impairment losses of property, plant and equipment

	Tires	Diversified products	Reconciliations	Consolidated
Year ended December 31, 2013				
Millions of yen				
Impairment Losses of Assets	**¥4,949**	**¥6,351**	**¥—**	**¥11,300**
Thousands of U.S. dollars				
Impairment Losses of Assets	**$46,959**	**$60,262**	**$—**	**$107,221**

	Tires	Diversified products	Reconciliations	Consolidated
Year ended December 31, 2012				
Millions of yen				
Impairment Losses of Assets	¥1,770	¥12,255	¥—	¥14,025

6. Information about amortization of goodwill and unamortized balance

	Tires	Diversified products	Reconciliations	Consolidated
				Year ended December 31, 2013
				Millions of yen
Amortization	¥ 923	¥57	¥—	¥ 980
Unamortized Balance	3,844	—	—	3,844
				Thousands of U.S. dollars
Amortization	$ 8,758	$541	$—	$ 9,299
Unamortized Balance	36,474	—	—	36,474

	Tires	Diversified products	Reconciliations	Consolidated
				Year ended December 31, 2012
				Millions of yen
Amortization	¥ 961	¥485	¥—	¥1,446
Unamortized Balance	4,074	—	—	4,074

Amortization of negative goodwill and unamortized balance due to business combination before April 1, 2010 were as follows:

	Tires	Diversified products	Reconciliations	Consolidated
				Year ended December 31, 2013
				Millions of yen
Amortization	¥699	¥—	¥—	¥699
Unamortized Balance	117	—	—	117
				Thousands of U.S. dollars
Amortization	$6,633	$—	$—	$6,633
Unamortized Balance	1,110	—	—	1,110

	Tires	Diversified products	Reconciliations	Consolidated
				Year ended December 31, 2012
				Millions of yen
Amortization	¥943	¥—	¥—	¥943
Unamortized Balance	816	—	—	816

Note 18

Subsequent events

Cash dividend and stock option plan

On March 25, 2014, the shareholders of the Company approved payment of a cash dividend of ¥30.0 ($0.28) per share, or a total of ¥23,490 million ($222,886 thousand), to shareholders of record at December 31, 2013. A stock option plan for remuneration of directors was also approved by the shareholders of the Company. In addition, a stock option plan for selected employees was approved by the Board of Directors on the same date. These stock option plans provide options to purchase a maximum of 131.9 thousand shares of the Company's common stock. The exercise price of these stock options is ¥1 ($0.01). The exercise period is from May 1, 2014 to April 30, 2034.

Note 19

Comprehensive income

The components of other comprehensive income for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012	2013
		Millions of yen	Thousands of U.S. dollars
Net Unrealized Gain (Loss) on Available-for-sale Securities:			
Gains arising during the year	¥ 93,918	¥47,621	$ 891,147
Reclassification adjustment to profit or loss	(1,954)	(4,034)	(18,541)
Amount before income tax effect	91,964	43,587	872,606
Income tax effect	(24,705)	(7,899)	(234,415)
Total	¥ 67,259	¥35,688	$ 638,191
Deferred Gain (Loss) on Derivative Instruments:			
Gains arising during the year	¥ 6,873	¥(2,965)	$ 65,215
Reclassification adjustment to profit or loss	(7,132)	1,625	(67,673)
Reclassification adjustment to acquisition cost of assets	(410)	1,128	(3,890)
Amount before income tax effect	(669)	(212)	(6,348)
Income tax effect	277	212	2,628
Total	¥ (392)	¥ —	$ (3,720)
Foreign Currency Translation Adjustments:			
Adjustments arising during the year	¥163,226	¥88,018	$1,548,781
Reclassification adjustment to profit or loss	218	—	2,069
Total	¥163,444	¥88,018	$1,550,850
Postretirement Liability Adjustments for Foreign Consolidated Companies:			
Gains arising during the year	¥ 43,461	¥(56,016)	$ 412,382
Reclassification adjustment to profit or loss	17,305	13,220	164,200
Amount before income tax effect	60,766	(42,796)	576,582
Income tax effect	(24,902)	15,232	(236,284)
Total	¥ 35,864	¥(27,564)	$ 340,298
Share of Other Comprehensive Income in Affiliates:			
Gains arising during the year	¥ (4)	¥ 1,816	$ (38)
Reclassification adjustment to profit or loss	331	(282)	3,141
Reclassification adjustment to acquisition cost of assets	—	(15)	—
Total	¥ 327	¥ 1,519	$ 3,103
Total Other Comprehensive Income	¥266,502	¥97,661	$2,528,722

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Bridgestone Corporation:

We have audited the accompanying consolidated balance sheet of Bridgestone Corporation and its subsidiaries as of December 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bridgestone Corporation and its subsidiaries as of December 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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.

Deloitte Touche Tohmatsu LLC

March 25, 2014

Member of
Deloitte Touche Tohmatsu Limited

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May 2014