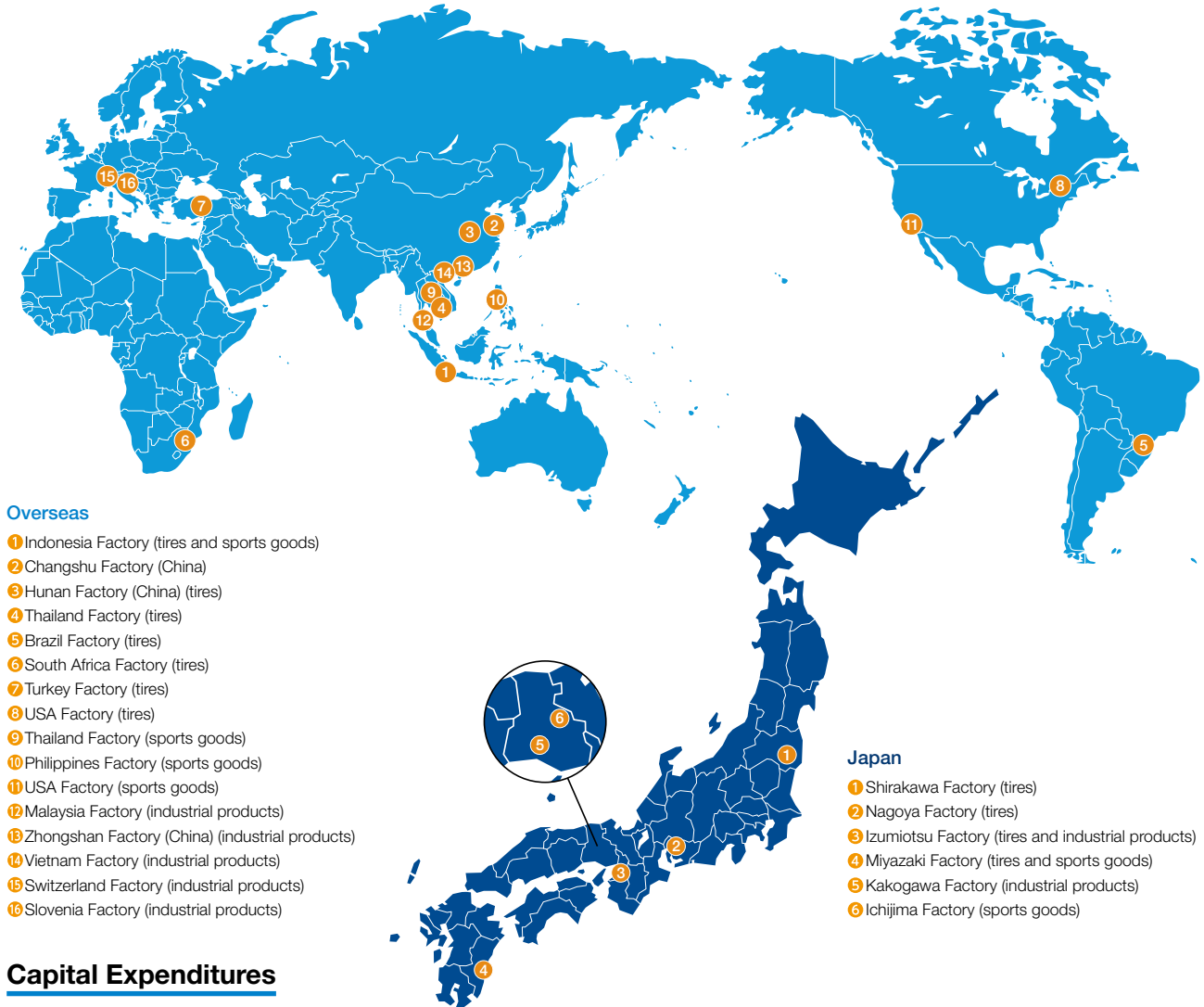


Manufactured Capital (production infrastructure, capital expenditures)

The Group, which is expanding its business globally, possesses six domestic bases and 16 overseas bases in its production network. In fiscal 2020, we implemented a total of ¥41.9 billion in capital expenditures.



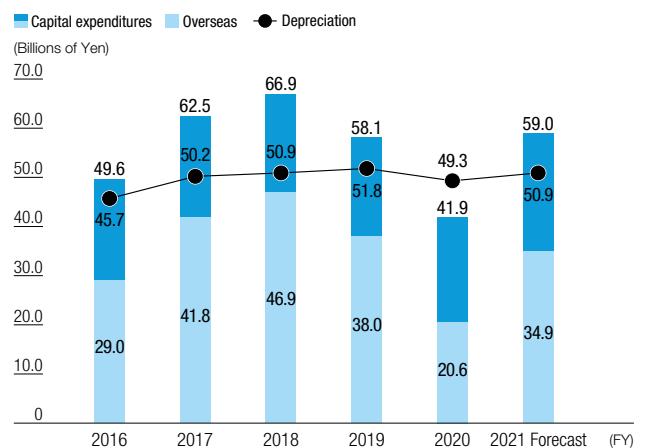
Capital Expenditures

As a rule, the companies of the Group each take into account medium-term demand forecasts, production plans and the ratio of investment to profit, formulating their capital expenditures accordingly. In the case of important plans, the Company takes the central role in coordinating the Group, primarily for the purpose of optimization.

In fiscal 2020, the Group restrained capital investment due to the novel coronavirus (COVID-19) pandemic. Capital expenditure thus amounted to ¥41.9 billion, a decrease of ¥16.2 billion year on year. Depreciation was ¥49.3 billion, a ¥2.5 billion decrease from the previous fiscal year.

For fiscal 2021, plans call for capital expenditure totaling ¥59.0 billion. We will expand investment in overseas factories to boost their production output, reversing the restrained policy exercised in fiscal 2020. At the same time, we will invest in domestic factories to promote a shift to advanced product manufacturing lines. (For more details, please refer to page 18.)

Capital Expenditures



Note: Figures for 2019 and later are not affected by the adoption of IFRS 16 (leases).

Key Management Resources

Production Infrastructure

Tire Business

Establishing a globally optimized production infrastructure

The development of the Tire Business's global production infrastructure began in 1997 with the Indonesia Factory, and the number of production bases continued to expand steadily with the opening of the Changshu Factory in China in 2004, the Thailand Factory in 2006 and the Hunan Factory in China in 2012. To further strengthen the supply infrastructure, we are currently moving forward with plans to extend the Thailand Factory into one of the largest of its kind in the world. In addition, we are moving steadily ahead with the expansion and enhancement of other production facilities and have launched, for example, production at the Brazil Factory and South Africa Factory in 2013 as well as at the Turkey Factory in 2015 and have acquired a factory in New York state to serve as the Group's U.S. base.

Increasing competitiveness via a global production infrastructure

Taking full advantage of the capacities afforded by our factories around the globe, we will push ahead a shift to a structure in which products are manufactured near their target markets. Simultaneously, we will supplement product supply by charging our Thailand Factory—the world's largest facility of its kind and a source of strength for the Group—to ensure that any underserved demand across the world can be met.

Through these efforts, we will establish relationship of trust with automakers. This will, in turn, help us raise the number of original equipment tires we supply and secure robust sales in the replacement market. In these ways, we solidify our business foundation.

Geographically, our production infrastructure already boasts low-cost manufacturing bases in Japan and elsewhere in Asia. And, in line with changing market needs, we have begun replacing facilities to raise our SUV tire production capacity. Looking ahead, we will continuously strive to maintain stable sales in Japan and China and secure robust sources of profit.

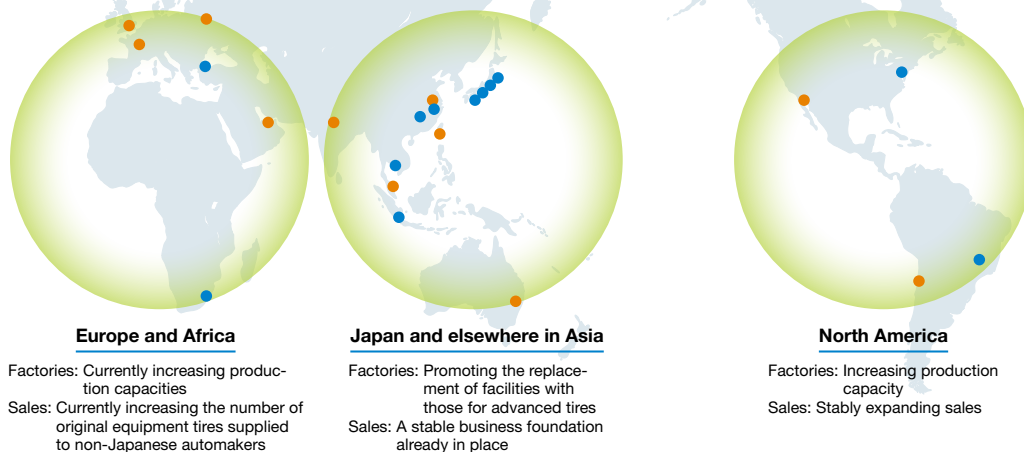
Looking at Europe and Africa, our Turkey Factory, a supply base for the former, is steadily ramping up production. Via this factory, we will fully leverage scale merits to stably increase the volume of products delivered to European automakers while expanding sales of replacement tires. With regard to the South Africa Factory, we will promote productivity improvement as well as a shift to high-value-added products.

In the Americas, we have seen stable sales growth in North America. Recently, we decided to invest in the USA Factory as well as in the Japan and Thailand factories—our export bases—in an effort to raise these facilities' production output. This investment will boost our regional supply capacity for SUV and other tires, with both U.S.A-made and imported products supporting our lineup. In Brazil, we have made progress in securing sufficient local production for local consumption by raising our production capacity in the region. As such, we are striving to develop a stable profit base.

Status of Our Global Production and Sales Bases

- Production bases
- Sales bases

Making progress in maximizing the effect of our network of manufacturing and sales bases encompassing key markets around the globe



Sports Business

Proving ourselves worthy of the trust of users through superior production technology and the ingenuity of our employees

The Company began the domestic manufacture of golf balls and tennis balls in 1930. Golf balls, such as SRIXON and XXIO, which are the mainstay of the Sports Business, are currently manufactured at the Ichijima Factory (Tamba City, Hyogo Prefecture) and the Indonesia Factory. In addition to the manufacture of golf clubs, manufacturing subsidiary Dunlop Golf Club Corp. (Miyakonojo City, Miyazaki Prefecture) is involved in producing custom clubs to meet the needs of a wide variety of customers.

In tennis, our tennis ball factories in the Philippines and Thailand manufacture balls for the Australian Open and major events on the ATP Tour.

Industrial and Other Products Business

Raising production capacity for the Rubber Parts for Medical Applications Business

In the growing Rubber Parts for Medical Applications Business, since first commencing the production of rubber parts for medical applications at the Izumiotsu Factory in 2000, we have pursued global production infrastructure development through the ongoing expansion of these operations via the launch of the Kakogawa Factory in 2010, the Swiss Factory in 2015 and the Slovenia Factory in 2017.