

R&D ACTIVITIES AND INTELLECTUAL PROPERTY STRATEGIES

Constantly targeting new value creation, the Sumitomo Rubber Group engages proactively in research and development (R&D). In addition to these efforts, the Group preserves the fruits of its research as intellectual property and has established structures to fully capitalize on its intellectual property rights.

R&D ACTIVITIES

In close cooperation with its subsidiaries and affiliates around the world, the Sumitomo Rubber Group promotes R&D activities in its wide-ranging fields—which include tire, sports and industrial and other product businesses. In addition, the Group has pursued the exchange of technology in its Tire business based on a global alliance with The Goodyear Tire & Rubber Company since 1999. In conjunction with this, the Group formed dedicated project teams to carry out joint research for specific themes. Furthermore, the Group spun off the R&D function and established SRI Research & Development Ltd. on July 1, 2003.

Total R&D expenses in the fiscal year under review amounted to ¥17,291 million, which accounted for 3.2% of consolidated net sales.

TIRE BUSINESS

In the Tire business, the Group utilizes its proprietary technologies to develop high-value-added products. To that end, the Group employed Digi-Tyre DRS III simulation that analyzes air pressure fluctuation inside the tire to release Dunlop's VEURO VE302 tire for luxury vehicles in February 2007. A special acoustic sponge fitted inside this premium ride tire reduces cavernous resonance. In fiscal 2006, R&D expenses in the Tire business totaled ¥14,215 million.

SPORTS BUSINESS

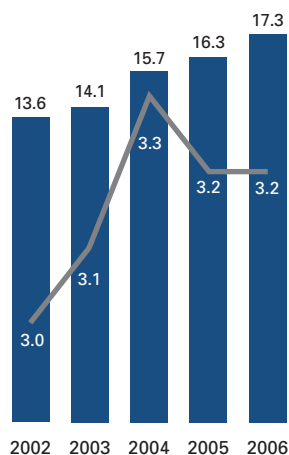
In the Sports business, the Group engages in the improvement of its unique Digital Impact Technology simulation by using a super computer and expands its use to product development. Thanks to these efforts, the Group focuses primarily on the development of sophisticated products mainly for its golf club and golf ball lineups. R&D expenses in the Sports business stood at ¥1,391 million.

INDUSTRIAL AND OTHER PRODUCTS BUSINESS

In the Industrial and Other Products business, the Group endeavors to expand businesses in the field of precision rubber parts for office automation (OA) equipment, printer blankets, artificial turf, rubber gloves and medical rubber products. At the same time, the Group develops products that meet consumer needs. Reflecting these approaches, R&D expenses in the Industrial and Other Products business were ¥1,684 million in the fiscal year under review.

R&D EXPENSES

■ R&D Expenses to Net Sales (%) (Billions of yen)



INTELLECTUAL PROPERTY STRATEGIES

The Sumitomo Rubber Group carries out intellectual property activities in order to support each business. Activities include the acquisition and utilization of intellectual property rights, namely patents, designs and trademarks, as well as the prevention of rights infringements.

EXPANDING INTELLECTUAL PROPERTY BUSINESS TO BRICs AND ASEAN COUNTRIES

So far, the intellectual property business has been limited to areas including Japan, the United States and Europe. However, with the aim of realizing its long-term vision, the Sumitomo Rubber Group has expanded its intellectual property rights-related business to the BRICs and ASEAN economic groupings. For example, the number of patent applications filed overseas exceeded those filed in Japan in 2006. The number of patent and design applications grew particularly in China, and now equals those in Europe. This was followed by Indonesia, Thailand and South Korea.

On the back of the increasing number of overseas patent applications, the Group will expand the numbers of countries and regions on which it focuses. Specifically, the Group plans to expand its intellectual property activities to Russia, India, Brazil, Vietnam and the Middle East. In light of this, by 2010 the total number of overseas patent applications is expected to be 1.8 times greater than those filed in Japan.

In addition to the Group's concern about intellectual property rights infringements, another issue relates to imitation tires. Until recently, these were only occasionally found overseas, but now have been discovered on the Japanese market in greater volume. Against this backdrop, the Group has requested that the Japanese customs authorities suspend imports while it carries out an investigation of those countries subject to the enforcement of rights.

BUILDING STRONGER RELATIONSHIPS WITH LEGAL AND PATENT OFFICES

Given that legal systems differ from country to country, for the overseas intellectual property business it is vital to keep in regular contact with such agents as patent lawyers and attorneys. The expansion of the intellectual property business requires identifying appointing and closely liaising with reliable agents such as patent offices or law firms specialized in intellectual property rights. In 2006, the Group selected law offices in Russia, India, South Korea and Thailand as part of moves to reinforce its legal network to include offices in other countries. The Group will expand this network to South America and Vietnam for the purpose of enhancing its intellectual property business by 2010.

EFFECTIVE UTILIZATION OF PATENT INFORMATION

In order to maintain and control Sumitomo Rubber Group's patents, a database was compiled covering all intellectual property rights and placed under the Patent Control System. Data is regarded as administrative and technological information, so they are disclosed to each development division to support their technological development activities.

The Sumitomo Rubber Group values its competitors' patent information as a way of monitoring technical advances and preventing its products from infringing other companies' rights. To that end, the Group distributes the weekly patent bulletins necessary to keep each technical division informed. Although there used to be difficulties in obtaining such information by overseas factories and subsidiaries, the Group introduced an online database accessible to all Group companies in April 2007.