

R&D Activities and Intellectual Property Strategies

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R&D ACTIVITIES

With a core of Sumitomo Rubber Industries' R&D organization and facilities, the Group promotes R&D activities in its wide-ranging fields—which include tire, sports and industrial and other product businesses—in close cooperation with its subsidiaries and affiliates around the world. 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 plans to complete the establishment of a new R&D center equipped with a state-of-the-art work environment in full-fledged facilities near its Head Office in Kobe City, Hyogo Prefecture, by August 2008. With this achievement, the Group will reinforce its technological R&D capabilities.

Total R&D expenses in the fiscal year under review amounted to ¥18,223 million, which accounted for 3.2% of consolidated net sales.

TIRE BUSINESS

Leveraging its proprietary technologies, the Group develops innovative products including the ENASAVE 97 eco-tire that increased the ratio of non-petroleum-based materials to 97%. In fiscal 2007, R&D expenses in the Tire business totaled ¥15,105 million.

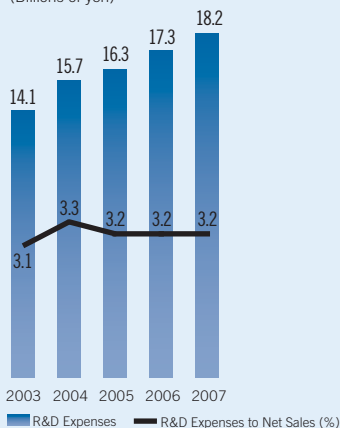
SPORTS BUSINESS

With cutting-edge “Digital Impact Technology” simulation capability, the Group develops, evaluates and tests new technologies and products. R&D expenses in the Sports business amounted to ¥1,255 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 printers and photocopiers, blankets for offset printing presses, artificial turf, rubber gloves, engineering and marine products, high damping rubber and medical rubber stoppers. 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 ¥1,862 million in the fiscal year under review.

R&D EXPENSES
(Billions of yen)



INTELLECTUAL PROPERTY STRATEGIES

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EXPANDING INTELLECTUAL PROPERTY BUSINESS TO BRICs AND ASEAN COUNTRIES

With the aim of realizing its long-term vision of expanding overseas businesses, the Sumitomo Rubber Group has expanded its intellectual property rights-related business to the BRICs and ASEAN economic groupings.

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.

Furthermore, the Group started to apply for patents and designs in Russia, India, Brazil and Vietnam.

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 they 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. The Group had selected 18 legal and patent offices in 14 countries by the end of 2007 and commenced business with them. In 2008, the Group will further strengthen relationships with these offices.

Furthermore, the Group will send members of the Intellectual Property Division to overseas offices to work in collaboration with local patent lawyers and attorneys with the aim of improving business efficiencies, communications and the employees' capabilities.

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. The Group will aim further to offer patent information that can be of assistance directly in product development operations.