

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

With a core of Sumitomo Rubber Industries' R&D organization and facilities, the Group promotes R&D activities in wide-ranging fields—the 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, we are constructing the Tyre Technical Center, which is going to be the key facility of the Group's R&D activities for tire technology. The Tyre Technical Center will engage in the development of next-generation, eco-friendly tires.

Total R&D expenses in the fiscal year under review amounted to ¥19,351 million, which accounted for 3.2% of consolidated net sales.

Tire Business

Leveraging its proprietary technologies, Sumitomo Rubber Industries released environmentally friendly products including the ENASAVE RV503 fuel-efficient tire for mini-vans under the Dunlop brand. In fiscal 2008, R&D expenses in the Tire business totaled ¥16,013 million.

Sports Business

Establishing an R&D section both in SRI Sports and Cleveland, SRI Sports develops, evaluates and tests new technologies and products with cutting-edge computer simulation capability. R&D expenses in the Sports business amounted ¥1,417 million.

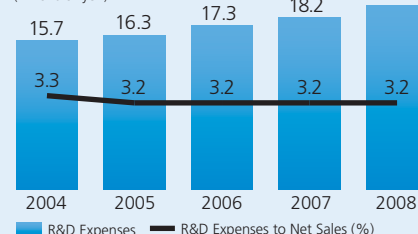
Industrial and Other Products Business

In the Industrial and Other Products business, SRI Hybrid endeavors to expand businesses in the field of precision rubber parts for printers and photocopiers, blankets for offset printing presses, artificial turf, rubber gloves, civil engi-

neering and marine products, high damping rubber and medical rubber parts. At the same time, the company develops products that meet consumer needs. Reflecting these approaches, R&D expenses in the Industrial and Other Products business were ¥1,920 million in the fiscal year under review.

R&D EXPENSES

(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.

Globalization Initiatives

With the aim of realizing its Long-Term Vision for business expansion in the overseas market, the Sumitomo Rubber Group expanded its intellectual property business in Russia and CIS countries, Asia and South America, in addition to Japan, Europe and the United States.

The following are three main activities to be conducted in each country.

- (1) Securing industrial property rights (patents, designs and trademarks)
- (2) Exercising rights against products that infringe on the Group's intellectual property
- (3) Eliminating inappropriate use of rights by third parties to ensure the Group's legitimate business activities

The Group is particularly aware of cases that fall under (3), in which third parties around the world apply for trademarks that may infringe the Group's main brands. The Group's business operations may be affected

if such cases were to be neglected. Therefore, the Group takes countermeasures against such infringements as soon as they are detected.

Enhancement of Business Efficiency and Streamlining of Intellectual Property Ownership

Owing to the abovementioned globalization activities, the Group is required to handle expanding businesses related to intellectual property rights. Against this backdrop, the Group will carry out its business operations in accordance with the following objectives.

- (1) Authorization of all effective technology and streamlining of unprofitable rights
- (2) Building a stronger relationship with patent offices

The Group calculated its patent commercialization rate in trying to expand it to meet the objectives in (1). The rate is figured by dividing the number of commercialized patents by the number of patents held. While enhancing the commercialization rate by accelerating the application and authorization of technologies to be commercialized as well as renouncing unused patents, the Group will endeavor to boost the cost performance of its intellectual property rights.

The intellectual property business must have a cooperative relationship with patent offices

both in Japan and overseas. It is particularly necessary to reinforce communications with patent offices overseas in pursuit of globalization and efficient business operations.

In 2008, the Group started to dispatch its Intellectual Property Department members to patent offices in each country of business to cooperate with local agencies regarding authorization and litigation matters. By doing so, the Group aims to (a) reinforce relationships with patent offices, (b) enhance business quality and efficiency and (c) improve the business skills of Intellectual Property Department members.

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 are 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 on other companies' rights. To that end, the Group distributes the weekly patent bulletins necessary to keep each technical division informed.