

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 the Sumitomo Rubber Industries' R&D organization and facilities as its core, the Sumitomo Rubber Group promotes R&D activities in wide-ranging fields—the tire, sports, industrial and other product businesses—in close cooperation with its subsidiaries and affiliates around the world. In addition, Sumitomo Rubber Industries 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 Company formed dedicated project teams to carry out joint research for specific themes. Furthermore, the Tyre Technical Center, completed in 2009, is the key facility of the Group's R&D activities for tire technology as Sumitomo Rubber Industries promotes the development of next-generation, eco-friendly tires.

Total R&D expenses in the fiscal year under review amounted to ¥17,983 million, which accounted for 3.4% of consolidated net sales.

Tire Business

To promote the development of next-generation, eco-friendly tires, Sumitomo Rubber Industries released the ENASAVE EC202 fuel-efficient tire under the Dunlop brand. The ENASAVE EC202 covers a wide variety of car models, from lightweight compact vehicles to sedans.

In fiscal 2009, R&D expenses in the Tire business totaled ¥14,896 million.

Sports Business

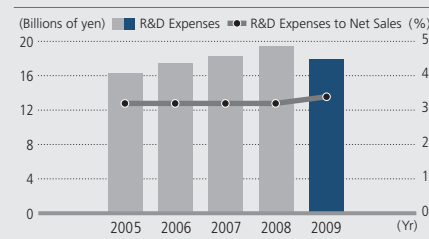
With an R&D section at both SRI Sports and Cleveland, SRI Sports develops, evaluates and tests new technologies and products using cutting-edge computer simulation capability. R&D expenses in the Sports business amounted ¥1,370 million.

Industrial and Other Products Business

In the Industrial and Other Products business, the Sumitomo Rubber Group works to expand busi-

ness in the field of precision rubber parts for printers and photocopiers, blankets for offset printing presses, artificial turf, rubber gloves, civil engineering and marine products, high damping rubber and medical rubber parts. 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 ¥1,717 million in the fiscal year under review.

R&D EXPENSES



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 as well as accelerate business operations, 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.