

# Intellectual Property

As the Sumitomo Heavy Industries Group is oriented towards growth driven by distinctive proprietary technologies, intellectual property is the most important of the cornerstones of the Group brand, and the wellspring of its competitive advantage. Throughout Sumitomo Heavy Industries, the core company of the Group, we devote our energies to the active protection, management, and creation of this Group "property." The principal focus of our efforts is directed at the four elements of intellectual property activity, namely: utilizing exclusive rights; respecting other companies' rights; ensuring that rights to intellectual property are secured; and ensuring that such rights are utilized with the optimum timing and all due speed.

## Management Structure

To link the senior management of operating divisions and development divisions directly with intellectual property activity, the Company has appointed chief intellectual property officers (CIPO) with the same rank as the general managers of technology and development divisions, ranking immediately below and reporting directly to the officers in charge of group or divisional business. The CIPOs prepare optimal intellectual property strategies for each operating and development division, make all members of those divisions thoroughly acquainted with them, and create the mechanisms to translate those strategies into reality. In addition, the Intellectual Property Division, which reports directly to the President, participates fully in reform activities implemented by the CIPOs.

## Principal Activities and Results

### (1) Intellectual Property Inspection Activities

We have formed an Inspection Committee composed principally of CIPOs, and use mechanisms for the regular evaluation of inventive proposals. In this way, we foster the efficient and systematic filing of patent applications ultimately intended for commercialization.

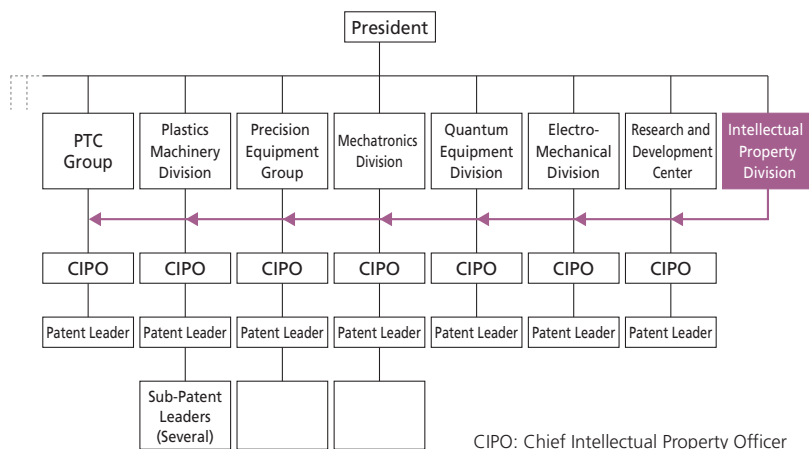
### (2) Special Cross-Departmental Meetings

At our training center, we hold two-day gatherings for staff involved in planning, marketing, technology, and intellectual property, primarily the CIPOs. The members concentrate on devising measures to respond to other companies' patents, and on formulating the priority domains for inventive activity, in line with our business strategies. This kind of support structure that cuts across our organization is effective in stimulating activities for the creation and use of intellectual property that tend to atrophy if confined to individual divisions.

### (3) Emphasis on Overseas Patent Applications

In tandem with the internationalization of the business activities of the Sumitomo Heavy Industries Group, we have been calling on all operating divisions and other relevant divisions to take active steps to file patent applications overseas. As a result, as of May 2007 as many as 1,376, or 39%, of the total of 3,512 patents held by Sumitomo Heavy Industries were held overseas. It is of note that during the past four years we have increased the number of overseas patent applications under the Patent Cooperation Treaty (PCT). We have been stepping up the use of these PCT applications because of the advantages they offer in terms of cost savings, higher efficiency and greater rapidity. For example, they eliminate certain duplications in the examination procedures that are conducted by each individual country, and the date of filing within Japan is also deemed to be the date of filing in other designated countries, if certain conditions are satisfied.

## ● CIPO System



## ● Overseas Patent Applications by SHI

