

Doubling Our Global Niche Top Products



President and Board Member
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The current business environment in Japan is far from rosy; looking at the wider world, we see that in America, which has driven the world economy so far, things are slowing down, in the European Union Germany is in stagnation, while in Asia all countries are being hit by advancing erosion of the industrial base as manufacturing operations are sucked wholesale into China.

Particularly in Japan, the demographic shift toward an aging population and labor shortages spell a difficult time ahead for manufacturing industry. All sectors will need to accept partnership projects and leaner operations.

Already we have a business world in which dramatic change transcends boundaries of nation, language, race, and even time. Japan faces a great structural upheaval of the same order as the Meiji Restoration of the 19th century or the end of the Second World War.

Nitto Denko has reacted to these macroeconomic developments with a program of structural reform declared through our 5th Reform Phase: The Age of Globalization. In 2002, as part of our structural reform, Nitto Denko implemented its "Muscle Plan". We need to continue growing by adding to our range of new businesses. The key to this is the Global Niche Top Strategy.

The Global Niche Top Strategy which we have declared is one designed to allow business growth even in challenging economic environments where enterprises are put on their mettle.

The basic idea behind the Global Niche Top Strategy starts with three questions:

- is a market growing?
- is the market a niche market for Nitto Denko?
- does the Nitto Denko Group have a distinctive technology that it can exploit in the market?

If we can answer yes to each question, the strategy is to make a concentrated investment of resources so as to win the world's top market share.

Achieving the top market share depends on being ahead in the speed and amount of information gathered.

Increasing the speed of decision-making and of action based on that information allows more new products to be created.

The twin engines of our corporate operation are:

- Letting customers bring us problems that need solutions through the so-called Sanshin Activities - an element in our corporate culture that means Three New Activities in Japanese - developing new applications, developing new products, and cultivating new demand.

- Meeting customer expectations as a Technology-Oriented Company

In order for the Global Niche Top Strategy to work effectively, it is essential that both these elements function in line with the speed of the respective businesses.

Nitto Denko has worked closely with customers in Japan to create new products and has achieved growth on this basis: in the future we need to stay in close touch with the world's growth industries, growth regions, and growth enterprises in order to add to the range of new business and go on creating global niche top products within them.

As a means of adding to the range of new business, the following lines of action must be pursued simultaneously:

- create new products originating not only in Japan but also overseas
- reorient our focus from products to markets to facilitate a clustering of products and technologies that transcends sectoral limits
- collaborate with universities and partner enterprises, undertake mergers and acquisitions, and find other ways of drawing on external resources.

In view of these factors, we have made the slogan of our mid-term plan **[Doubling Our Global Niche Top Products]**. This means increasing our

current list of twelve global niche top products (products that enjoy the top share of a global niche market) by at least 100% within three years.

Of course, our twelve current niche top products did not get where they are overnight, but after a long period of maturing from their inception. Along the way, the creativity, ingenuity, and persistent effort of many people won customer confidence and allowed the products to reach their current status.

In the present volume of the Nitto Denko Technical Report, we take a look at how our twelve current global niche top products achieved the top market share.

Quality, price, delivery time, and response speed are dictated by the market. If Nitto Denko arranges them to suit itself, it will be left behind. If Nitto Denko Group employees and officers bear this in mind as they go about their work, then I think doubling our global niche top products is an achievable goal.