

Nitto

Innovation for Customers

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Hideo Takasaki
President and CEO of Nitto Denko Corporation

Recipes for staying on top of industry disruption

Dealing with market disruptions is as old as commerce, but their speed and scale have never been greater. Knowing how to survive, even thrive, in such turbulence has never been more essential. Nitto, the century-old Japanese diversified materials manufacturer, has some intriguing answers to these challenges.

How your industry might disappear overnight

Today's disruptions can wipe out vast markets almost overnight. Think of film photography, CDs, and incandescent light bulbs. Many other items— from keys to cash to tablet computers—will likely join this heap of obsolescence sooner than we think.

The relentless march of technology ends products, but also transforms industries. Consider how the commoditization of personal computers forced some makers to abandon production and shift to IT services. Or how car makers and their suppliers are now scrambling to become mobility solution providers as automation, IoT, and AI redefine the sector.

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Relentlessly pursuing the new

Nitto, the Japanese diversified materials manufacturer, has some intriguing answers to these challenges.

At the heart of the company's sustained growth is its *Sanshin* Activity, literally the "three new" activity. This refers to Nitto's proprietary marketing approach of finding "new" applications for existing products, adding or using new technologies to develop "new products", and expanding applications to create "new demand".

Starting from electrical insulation tape, Nitto has evolved new products, applications, and customers in growing industries.

"We are a company that has repeated the process of *Sanshin* Activity over and over: evolving with our customers to deliver new products, find new markets, and be competitive in them," explains Hideo Takasaki, president of Nitto.

The company now offers a vast array of products, with a handful of highly profitable ones. These include polarizing films used in smartphone and TV displays, industrial adhesive tapes for automobile parts, and medical supplies, etc.

Such efforts have not gone unnoticed. This year, Nitto's superior R&D activities and intellectual asset management was appreciated, and Nitto was selected for the eighth consecutive year as one of the "2018-19 Derwent Top 100 Global Innovators"

Capturing market niches and supplying industry leaders

How does Nitto achieve sustained innovation across so many industries?

"As a B2B company, it's all about working very closely with customers who are industry leaders," says Takasaki. "This gives us a bird-eye view of the market and access to fresh information."

A critical element of Nitto's strategy is to become the leading supplier of targeted market segments, striving for its products to hold a "Global Niche Top™" position.

"Capturing niches is a differentiation strategy for us. We target growing markets where we have technological advantage and can compete comfortably, then seek top market share," says Takasaki.

Take displays for example. When Nitto first started making strips of polarizing films in the 1970s for calculator displays and digital watches, it was a tiny market.

Applications expanded into video games, TVs, and later smartphones. As a dominant supplier, Nitto was able to continuously develop the latest value-added polarizing films in close cooperation with its market-shaping clients.

Combining from a drawer full of technologies

Another vital plank in Nitto's strategies in the face of market shifts is its combining capability: cross-pollinating innovation across its wide portfolio of technologies.

"Simply put, we have many drawers to draw from," says Takasaki.

A prime example is Nitto's Plastic Optical Fibre Cables. Combination of its plastic extrusion and circuit board technology has resulted in plastic-based cables resistant to noise, heat and shock, fitting into compact spaces, and able to handle mass data transmission.

These features make it suitable to meet the needs of 5G services starting in many countries very soon. Applications range from optical cabling for higher resolution 8K TV displays, endoscopes, electronic equipment on-board planes and in cars, as well as for smaller movable parts of robots and drones.

Generating value from intangible assets

As markets mature and product commoditisation occurs in faster cycles, Nitto has also been increasingly turning to its wealth of intangible assets—production processes and patents—to maintain value.

Consider how Nitto combined its drug delivery system (DDS) technology with oligonucleotide technology acquired externally to license technologies to pharmaceutical manufacturers. Or how the company provides technical support to overseas manufacturers entering the market of optical films for liquid crystal panels. This support enables them to take advantage of Nitto's expertise in the stable mass production of such products.

"Looking forward, IP strategies and revenues will become increasingly important for us. But we are careful to target areas where we have suitable technological advantages and acquired water-tight patents worldwide," says Takasaki.

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Committing to sustainability throughout the tumult

There is no one answer of how to thrive in an era of unprecedented market volatility.

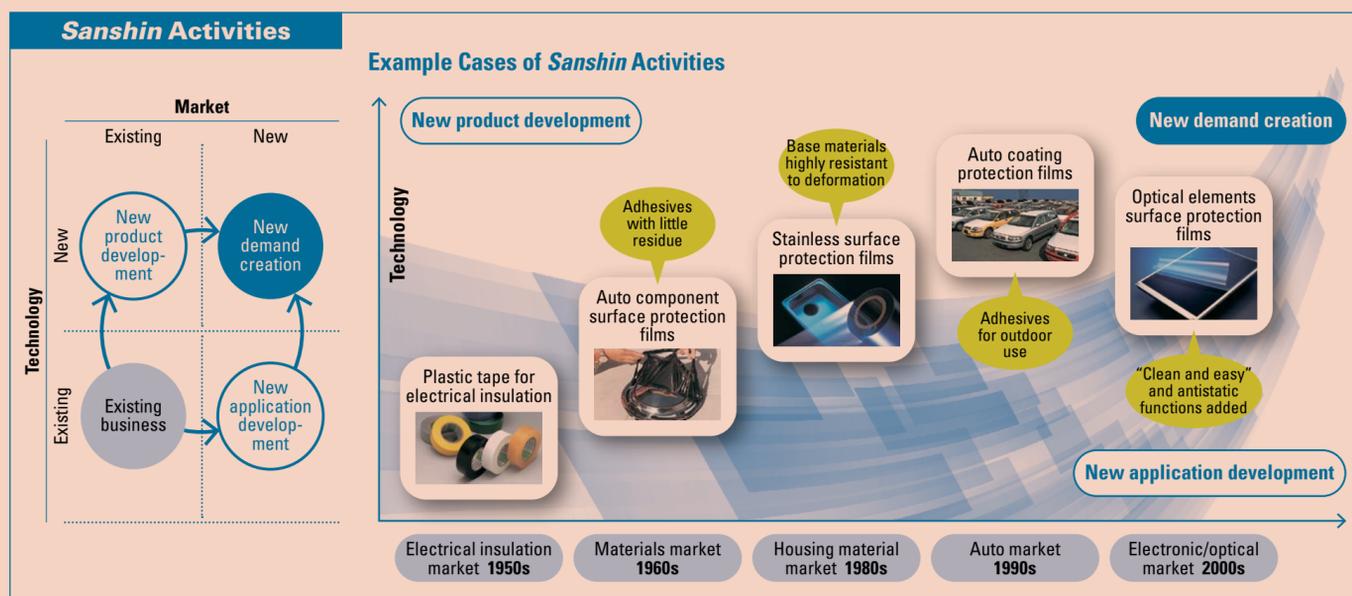
But Nitto's recipe has been a successful one in its past century.

Through all this tumult, Nitto remains committed to creating social value. This year, the company identified "material issues"—key areas—for simultaneously contributing to sustainable development goals, while enhancing its own corporate value.

Two criteria were used to identify such areas: the scale and severity of the social issue, which would determine potential market size, as well as the potential for Nitto to innovate competitive products in the area. Some issues identified included the provision of safe and smart mobility infrastructure, the need for renewable energy and recycling of natural resources, as well as improving quality of life under longer life expectancy.

"Until now, Nitto has mainly been a company focused on providing convenience to consumers," says Takasaki.

"But in coming years, we hope to equally focus on our contributions to the environment as well as health and well-being."



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Nitto has been the first Japanese title sponsor for the Nitto ATP Finals since 2017.