

Nippon Seiki

Instrument panels and meters

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Senior Officers

Atsuo Nagai, Chairman
Shoji Nagai, President

Products

Fuel sensors, instrument panels, head-up displays (HUDs), liquid crystal displays (LCDs), meters, organic light emitting diode (OLED) displays and speed sensors

Plants

China (1), Indonesia (1), Japan (6),
Thailand (1), UK (1), USA (1)

Sales

Group: ¥139.0bn (€1.1bn, Year to 31
March 2004)

Automotive:* ¥85.9bn (€68.0m, Year to
31 March 2004)

*Note: includes motorcycle and other
vehicle meters as well

Employees

Group: 8,001 (2004)

Parent: 1,742 (2004)

Nippon Seiki is leader in motorcycle meters, also producing instrument panels and gauges for automobiles and other vehicles. It is the fourth largest supplier of instrument gauges for automobiles in Japan and has an 8% share of the global market. Roughly 20% of its Group sales are generated by Honda, which is the largest shareholder with a 6.6% stake. Automotive related sales generate around 40% of Group sales.

The company divides its business into four segments: car and multiuse meters, liquid crystal displays (LCDs), consumer equipment and others. The car and multiuse meter division generates the largest percentage of Group sales, at 61%. This division includes instrument panels and meters for agricultural vehicles, cars, construction vehicles, industrial vehicles, marine craft, motorcycles and trucks, as well as various sensors and head-up displays (HUDs) for cars. Nippon Seiki markets its meters and its display systems for various vehicles for the aftermarket under the "Defi" brand name. The LCD group generates 18% of Group sales and is primarily engaged in the production of LCD displays for Nippon Seiki's various metering products as well as PC screens. The consumer equipment group produces and sells various remote control units for air conditioners and office equipment and various integrated circuits (ICs), and makes up 7% of Group sales. Nippon Seiki's other businesses include sales of computer hardware and software, Honda car dealerships, various high-speed food packaging machines and other related products.

Overseas sales generate 36% of Nippon Seiki's Group sales. The largest contributor is the Americas region, with 17%, which includes Brazil, Canada and the US. The second largest is Asia, with 11%, which is also the fastest growing region for Nippon Seiki. Asia's contribution to Group sales increased just over three percentage points to the year ending March 2004 from the previous year. The Asia region includes China, Indonesia and Thailand. Europe makes up 8% of Group sales and consists of Italy, Germany, the Netherlands and the UK. The company has 20 consolidated subsidiaries, of which 13 are active in the meters business and nine are based overseas, two in the UK and China (one in Hong Kong) and one each in Brazil, Indonesia, the Netherlands, Thailand and the US.

Nippon Seiki supplies a range of carmakers with instrument panels, such as BMW, Daihatsu, DaimlerChrysler, Fiat, Honda, Mazda, Mitsubishi Motor, Subaru and Suzuki.

Recent Developments

Corporate strategy The goal of Nippon Seiki's management plan is to obtain a global automotive market share of 15% and motorcycle market share of 40% for its meters. It wants to create a global supplier system, which has Japan in the centre, linked with the Asian, European and US markets. To this effect, the company has established a sales and operational headquarters in each of the regions: Hong Kong Nippon Seiki for Asia, Nippon Seiki (Europe) in the Netherlands and NS International in the US. These regional headquarters are anchored with other local operations as well as operations in Japan, which includes a technical centre, six manufacturing facilities – of which six produce meters, nine sales offices and the company headquarters.

Increasing production in Asia, especially China, is a priority for Nippon Seiki to decrease its costs, as well as be able to supply its customers in local markets. Coupled with cost effective products, thanks to its production bases in Asia, Nippon Seiki is placing emphasis on its "zero defect" goal. To this effect, the company has placed strict production and quality guidelines at all its overseas plants.

Joint-ventures In May 2004, Nippon Seiki's 50:50 joint-venture with Optrex

Corporation, which is 40% owned by Asahi Glass and 60% by Mitsubishi Electric, ADEON Company, began full-scale operations in Niigata (Japan). ADEON manufactures and sells OLED displays, solely to its two parent companies and was established in July 2003. Its headquarters are in Tokyo at Optrex and the production facility housed within Nippon Seiki's Niigata plant. The joint-venture is capitalised at ¥1bn (€7.4m, 30 July 2003), with sales estimated to reach ¥500m (€3.7m, 31 May 2004) by March 2005.

Investments

- In March 2004, Nippon Seiki's European subsidiary, Nippon Seiki Europe, based in the Netherlands, opened a sales office in Munich (Germany) to better service its customers BMW and DaimlerChrysler. The office will initially employ six persons and will focus on meters and software for cars and motorcycles.
- In December 2002, Nippon Seiki established a wholly-owned European subsidiary, Nippon Seiki Europe (NSEU) in the Netherlands. NSEU oversees the company's European car and motorcycle meter operations, which includes a technical centre in the Netherlands and sales offices in France, Italy, Germany and the UK. The subsidiary generated sales of ¥100m (€7.8m, 31 March 2004) for the year ending March 2004.

Contracts Nippon Seiki has won contracts to supply OLED displays to General Motor's Corvette starting mid-2004 and DaimlerChrysler's 2004 Jeep Grand Cherokee starting July 2004. The OLED display for the Corvette will be used in the instrument panel and is a passive-matrix type, tinted blue green. The OLED displays will be made by Nippon Seiki's joint-venture company ADEON.

New Product Developments For the year ending 31 March 2004, Nippon Seiki spent ¥3.1bn (€2.4m, 31 March 2004) on R&D, an increase of 3% from the previous year. Almost 70% of this is spent on its cars and multiuse meters division. In the automotive meters area, Nippon Seiki is focusing on developing the next generation of multi-display meters. The company's strength in technology is underscored by the numerous technical licensees it has, currently amounting to eight, spanning two in China and South Korea and one each in India, Indonesia, Malaysia and Vietnam.

In 2002, Nippon Seiki began producing OLED displays and has leading know-how in this field, as well as numerous patents. Unlike other displays, OLED displays are made up of self-luminous pixels and therefore require no backlights. They provide a clear, bright display that can be viewed from a much wider angle than existing displays. Most importantly for the automotive industry, OLED displays are low on power consumption and can be extremely lightweight. The company continues to refine this technology and create value-added products for the automotive market using OLED displays.

Financial Overview For the year ending 31 March 2004, Nippon Seiki posted Group sales of ¥139.0bn (€1.1bn, 31 March 2004), an increase of 5%. Positive sales growth was realised across all the company's divisions, with car and multiuse meters growing 4%. However, the largest year-on-year growth was posted by the LCD division, with 9% growth. Regionally, Asia posted the strongest sales growth, almost doubling its contribution from last year to ¥10.8bn (€8.1m, 31 March 2004). All other regions posted positive sales growth, with Europe growing the second fastest at 7%, followed by Japan 4% and the Americas with 2%. However, profitability between the operations varies significantly; Nippon Seiki's Asian operations generate an operating profit margin of almost 16%, compared to 7% in Japan, 4% in Europe and 4% in the Americas. The growth in Nippon Seiki's Asian business has, therefore, substantially added to the company's bottom line.

The company increased its overall operating margin by just over one percentage point to 6.7%, with cost cutting playing an important role. This, coupled with the growth in sales in Asia, which as noted above, carries the highest operating margin, boosted profits. Operating profit was up 26% to ¥9.3bn (€7.1m, 31 March 2004) and net profit increased 67% to ¥4.9bn (€3.1m, 31 March 2004).

Outlook Overseas expansion has paid off handsomely for Nippon Seiki, primarily in Asia, where profitability exceeds that in many other areas by some margin. This growth appears set to continue with the market in China an obvious target. The company has also done well to expand its customer base in its automotive business

outside of Honda and continued efforts to attract new carmakers, particularly in Europe, will be positive in the long-term. Although the automotive business is not the company's core competency, the in-house technological know-how and continued ability to develop cutting-edge products will underpin and perhaps advance its already strong market share. It should also help drive solid profit growth in the long-term.