

**JASDAQ 6657 Nippo Electric Company Limited**

Sector; Electric Appliances 2-Feb-09

**Pioneer of creating new floor lamp based on needs for illumination design**

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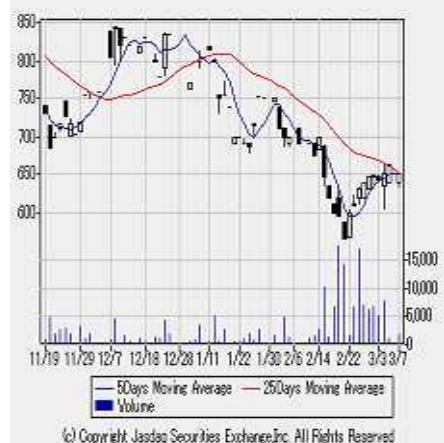
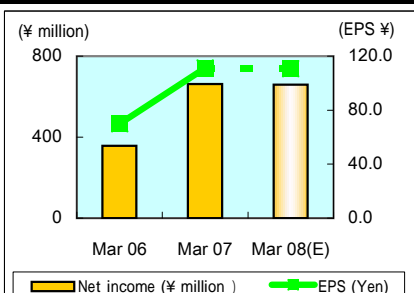
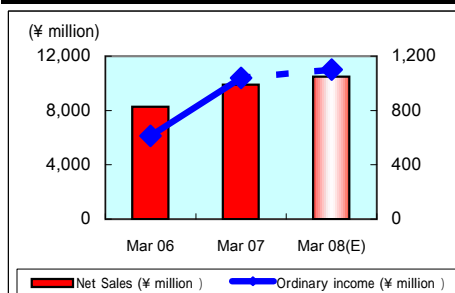
### Company profile

**Representative** Isamu Kato URL: <http://www.nippo-web.com/>  
**Head Office** 15-23, Miyamatsu-cho, Hiratsuka-city, Kanagawa pref., 254-0036 Japan  
**Business line** Manufacturing, sales and design of illuminating equipment for stores and ultraviolet sterilizing lamp. Contract for electric works etc.  
**Shares issued** 5,962,2000 shares (9/30/2007)  
 Special owners 85.0%, Foreign owners 4.4%, Japanese Funds 5.3%  
**Major Holders** Dai Nippon Toryo Co., Ltd. 67.0%, Employee share and owner ship 5.1%, Japan Trustee Services Bank, Ltd. (Trust Account) 4.7%

**Established** June 1977  
**Listed** March 2006

7-Mar-08  
 Stock price (¥) **650**  
 PER(E) **6.1**  
 ROE(E) **18.5%**  
 Market cap (¥ million) **3,875**  
 Volume **2,000**  
 Trade Unit **100**

	Net Sales	Ordinary income	Net income	Dividend	EPS	ROE
	(¥ million)	(¥ million)	(¥ million)	(Yen)	(Yen)	(%)
Mar 06	8,283	613	358	12.5	69.9	13.9
Mar 07	9,896	1,039	663	17.5	111.3	20.0
Mar 08(E)	10,500	1,100	660	17.5	110.7	18.5
Sep 07(Interim)	4,979	498	264			



### Industry trend

Japanese illumination equipment market size in 2006 (except for automobile-LED) is ¥851.7 billion, 1.3% decrease from the previous year. The market in 2006 shrank by ¥60 billion from 2000. This is mainly due to the shrinkage of new building construction caused by the decrease of public works and new housing starts which result in the shrinking trend of illumination market (except for automobile-LED). The whole industry strives to stimulate renewal demand. Specifically, it aims to maintain and expand the demand by promoting the replacement of illumination equipment. Moreover, it conducts R&D for next generation illumination such as LED and organic EL to create new demand in addition to replacement demand. Share by use is as follows. Indoor : Outdoor = 88.4% : 11.6%. Share by another use is as follows. Housing 33.1%, commercial facility- store 25.9%. As to share by sales channel, wholesaler accounts for about 75%. About half of the wholesaler is engaged in electric facility materials business. Promising market for illumination in the future is commercial facility- store, housing, factory, warehouse etc. due to the expected continual renewal demand by these buildings. (Source : Yano Research Institute 「2007 Outlook for illumination market and business strategy」)

### Business strategy

Nippo Electric is a specialized maker of floor lamp based in Hiratsuka, Kanagawa Prefecture. The company manufactures indirect illumination for space design and illumination for display rack in store. Major commercial facilities adopting the company's illumination include 「The Peninsula Tokyo」, 「Conrad Tokyo」, 「Louis Vuitton」, 「Roppongi Hills」, 「Tokyo International Airport Haneda second terminal building」. Each facility adopt 1000 illumination per unit. Custom-made products which vary in colors and shapes account for 25% of total sales. The products are created by technicians who mix various floor bodies like artists and skilled workers who can make complex shaped products. The company owns patent for 「seamless line lamp (seamless floor lamp)」 which also accounts for 25% of total sales. The seamless lamp is high-priced, sold at ¥3,000 per unit and the price has been the same since 1997 when the product started to be sold. Sales channel of the product include illumination designers and design offices and this channel results in the sales of "market in" new products. The Japanese illumination equipment market (except for automobile-LED) is not expected to expand sharply. Therefore, the industry expects renewal demand. The company carefully expands overseas business under these circumstances. In 2003, the company expanded into USA and the products started to be adopted by 「Apple Store」, directly operated by Apple etc. The business results forecast for FY Mar 2008 is as follows. Sales ¥10.5 billion (YOY 6.1%), Ordinary income ¥1.1 billion (YOY 5.9%), Net income ¥0.66 billion (YOY -0.5%). (Reference : Nikkei Business Feb 25, 2008 issue 「Feature Shonan companies reversal management @Nippo Electric」 P29 ~ 31)

### Corporate analysis by IR STREET

Strength	Opportunity
1. Equipment manufacturing technology for meeting needs of clients (color, shape etc.)	1. Renewal demand which is larger than new demand
2. Having patent for 「seamless line lamp (seamless floor lamp)」	2. Business development in overseas market which is larger than Japan (USA, China etc.)
3. Business relationship with renowned commercial facility (five-star hotel, luxury brand shop etc.)	3. Increase in demand for illumination design
Weakness	Risk
1. New business other than custom-made products and 「seamless line lamp」	1. Capital investment trend in Japan (especially, commercial facility- store)
2. Overseas business development (currently, 1 ~ 2% of total sales)	2. Environmental regulations (electric power saving, low heat generation etc.)

### Peer comparison

	Fiscal Year end	Sales	YoY	Ordinary income	YoY	Ordinary income ratio	EPS
		(¥ million)	(%)	(¥ million)	(%)	(%)	(¥)
Nippo	Mar 08(E)	10,500	6.1%	1,100	5.9%	10.5%	110.7
Endo Lighting Corp. (6932)	Mar 08(E)	18,594	-0.7%	1,219	-11.4%	6.6%	20.0

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