

TSE 2 6162 Miyano Machinery Inc.

Sector; Machinery

2-Apr-08

Maker specialized in NC turning machine aiming to be the market leader of small and medium machine tool

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Business line manufacturing and sales of small and medium NC turning machine and its peripheral equipment and machinery tool parts, related and technical support

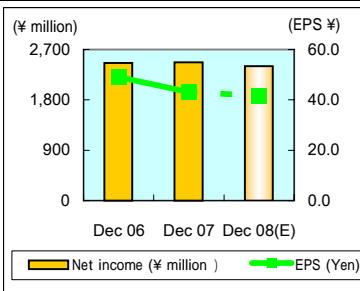
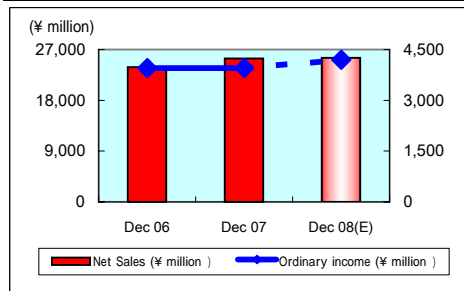
Shares issued 58,525,000 shares (12/31/2007)
Special owners 70.0%, Foreign owners 31.1%, Japanese Funds 6.9%

Major Holders Citizen Holdings Co., Ltd. 29.9%, Morgan Stanley and company 13.8%, Morgan Stanley International 6.2%

Established July 1943
Listed March 2006

29-Mar-08
Stock price (¥) 240
PER(E) 6.1
ROE(E) 19.6%
Market cap (¥ million) 14,046
Volume 100,000
Trade Unit 1,000

	Net Sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Dividend (Yen)	EPS (Yen)	ROE (%)
Dec 06	23,885	3,949	2,460	4	49.1	32.1
Dec 07	25,432	3,951	2,474	8	43.1	22.3
Dec 08(E)	25,500	4,200	2,400	10	41.7	19.6
Jun 08(Interim)	12,800	2,100	1,200			

**Industry trend**

Machine tool is defined as machinery primarily used for cutting and processing metals. There is a variety of machine tool s such as machining center, NC turning machine and grinding machine. Recently, demand for complex processing machine capable of both milling and turning is increasing. Users are mainly general machinery makers and carmakers. General machinery makers include mold builders whose customers include carmakers and electric makers. According to statistics of JMTBA, domestic demand is ¥726.4 billion(YoY 99.1%) and foreign demand is ¥863.5 billion(YoY 112.7%) based on orders received in 2007. According to statistics of Gardner, Japan and Germany are two major producing countries. Share of Japan is recently increasing owing to Yen depreciation and Euro appreciation. Chinese makers are increasing output sharply and they are in a position to catch up with Japanese and German makers. Demand for machine tool is fluctuated according to capital investment trend. Accordingly, low profit is generated a few years after high profit is recorded. Trend of the industry is as follows. (1)overseas business expansion (2)differentiation of products and function (3)industrial reorganization such as M&A and alliance. (reference : R&I viewpoint of rating of each industry machine tool, machine tool statistics of JMTBA)

Business strategy

The company mainly manufactures and sells small and medium NC turning machine. It also conducts related service and technical support. Its main products include complex processing bar machine and chucker with loader. It also operates call center and technical center. The company ran into financial difficulty due to the excessive investment in the latter half of 1980's. Under the aegis of IRCJ in September 2004, it pursued the following. (1)price raise of the products (2)productivity improvement. It recovered one year ahead of schedule owing to external capital investment recovery as well as internal management effort and was listed on TSE2 in September 2006. In January 2007, it formed a capital and business alliance with Citizen Holdings (7762). It aims to further improve operating results by realizing effects of the alliance. The business results forecast for FY Dec 2008 is as follows. Sales ¥25.5 billion (YOY 0.3%), Ordinary income ¥4.2 billion (YOY 6.3%), Net income ¥2.4 billion (YOY -3.0%). The company announced new medium-term management plan 「Power Up Plan」 which covers profit plan (consolidated base) from 2008 to 2010. In 2010, the plan is as follows. (1)Sales ¥30.0 billion (2)Operating income margin 20% (3)Ratio of overseas sales to total sales 60% (51% as of FY Dec. 2007)

Corporate analysis by IR STREET

Strength	Opportunity
1.Established brand (「Miyano as auto turning machine」)	1.Capital investment expansion in Europe and Asia
2.Productivity improvement (introduction of TOYOTA production method)	2.Prevalent price raise of products
3.Capital and business alliance with Citizen Holdings (7762)	
Weakness	Risk
1.Imbalance of age of technicians→handing down of technology	1.Capital investment trend (cyclical change)
2.Longer delivery period (demand increase surpassing production capacity)	2.Forex fluctuation
	3.Price and procurement of raw materials

《Peer comparison》

	Fiscal Year end	Sales (¥ million)	YoY (%)	Ordinary income (¥ million)	YoY (%)	Ordinary income ratio (%)	EPS (¥)
Miyano Machinery	Dec 08(E)	25,500	0.3%	4,200	6.3%	16.5%	41.7
TSUGAMI	Mar 08(E)	30,000	-17.9%	3,100	-44.0%	10.3%	25.7
CORP.(6101)							
Takisawa	Mar 08(E)	26,698	-0.9%	3,742	-4.0%	14.0%	31.7
Machinery							
Tool(6121)							
TAKAMATSU	Mar 08(E)	16,086	5.3%	1,895	-7.5%	11.8%	105.5
MACHINERY							
CORP. (6155)							

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