

JASDAQ 6254 Nomura Micro Science Co., Ltd.

Sector; Machinery

8-Jan-08

"Specialized maker of ultra pure water" aiming to be a leading company in the Asian market

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report@ftg.jp**Company profile**

Representative Toyosaku Senda URL: <http://www.nomura-nms.co.jp/>

Head Office 2-9-8, Okada, Atsugi City, Kanagawa 243-0021, Japan

Business line A manufacturer of water purification equipment.

Shares issued 8,152,700 shares (9/30/2007)

Special owners 66.1%, Foreign owners 5.0%, Japanese Funds 0.0%

Major Holders HOKKO CHEMICAL INDUSTRY CO.,LTD. 17.1%, Sekisui Chemical Co., Ltd. 7.3%, JGC Corporation 7.3%, Employee share and owner ship. 7.3%, BWT Aktien Gesellschaft 4.9%

Established April 1969

Listed October 2007

21-Dec-07

Stock price (¥) 1,366

PER(E) 12.1

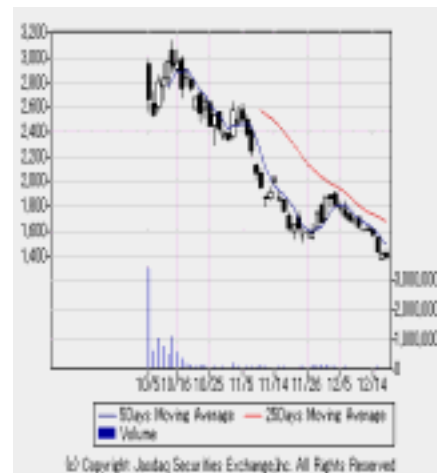
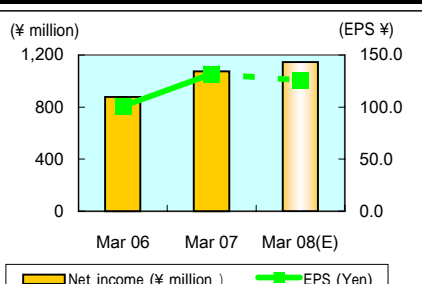
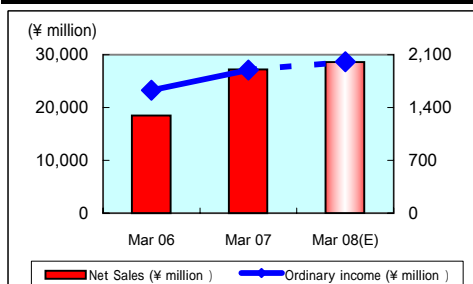
ROE(E) 20.4%

Market cap (¥ million) 13,900

Volume 29,300

Trade Unit 100

	Net Sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Dividend (Yen)	EPS (Yen)	ROE (%)
Mar 06	18,507	1,629	877	18	100.7	20.0
Mar 07	27,221	1,898	1,074	25	131.8	20.5
Mar 08(E)	28,601	2,008	1,147	25	125.7	19.5
Sep 08(Interim)	13,192	804	442			

**Industry trend**

Shipment of Japanese firms' water equipment and plant is estimated to be 236.2 billion yen in 2007 and 371.3 billion yen in 2011. Therefore, growth rate from 2007 to 2011 is expected to be 57.2%. Sales of energy saving sewer disposal equipment for public sector is good and public sector's demand is expected to be renewal of old facilities and shift to sophisticated equipment. Regarding private sector, demand for total volume control of water quality is expected to increase. As to overseas, demand for ocean water freshening equipment is expected to increase. Demand for ocean water freshening equipment is high in Middle East, North Africa, India etc. The company usually receives order with plant makers and trading houses overseas. Demand for ultra pure water making equipment is expected to increase due to the increasing demand of semiconductor and FPD (Flat Panel Display) and water provision service. Demand for water and sewage monitoring and provision of ultra pure water is also expected to increase owing to materials replenishment and operation of water use and disposal and provision of everyday maintenance service. (Source : Fuji Research Institute 「The 2007 whole picture and forecast of water resource

Business strategy

Nomura Micro Science is a "specialized maker of ultra pure water equipment" engaged in the planning, making and sales of equipment and its maintenance as well as sales of disposables. Ultra pure water making equipment is used for making "pure 100% water" required in the process of semiconductor and FDP making. The company also maintains sold equipment and sells disposable for the equipment. Overseas sales ratio for Sep. 2008 is 47% for Asian countries (Korea·Taiwan·China etc.) and 13% for USA, totaling 60%. Recently, the company started 「Water selling (BOOM contract, Build Own Operate & Maintenance)」 business. In the business the company makes contract to provide small equipment to users and the users pays charges according to used volume. The company is going to develop business in China and Taiwan, expand business of maintenance and selling disposable, reinforce technology of collection and reuse and approach environmental issues by making corresponding products. The business results forecast for FY Mar 2008 is as follows. Sales ¥28.6 billion (YOY 5.1%), Ordinary income ¥2.0 billion (YOY5.8%), Net income ¥1.1 billion (YOY 6.8%)

Corporate analysis by IR STREET

Strength	Opportunity
1.Establishment of integrated system from removal of impurities in raw water to making ultra pure water	1.Worldwide water shortage (especially in Middle East, North Africa, India, China etc.)
2.Generalization of small equipment-Enrichment of products and service	2.Japanese firms' high technology for "water making" (Toray, Asahi-kasei, Kurita water etc.)
3.Firm business base in overseas market (especially in Korea, Taiwan, China etc.)	3.Accelerated privatization of water business (Suez and veolia of France etc.)
Weakness	Risk
1.Heavy reliance on water disposal equipment business (over 90% of total sales and operating profit)	1.Influence by capital investment of semiconductor and liquid crystal related industries
2.Profit source other than water disposal equipment biz (especially maintenance)	2.Influence by forex market
3.High ratio of overseas sales (67.5% as of Mar 07)	3.Stiffer competition in ultra pure water making equipment market (especially in China and Taiwan)

Peer comparison

	Fiscal Year end	Sales (¥ million)	YoY (%)	Ordinary income (¥ million)	YoY (%)	Ordinary income ratio (%)	EPS (¥)
Nomura MS	Mar 08(E)	28,601	5.1%	2,008	5.8%	7.0%	125.7
S.E.S. (6290)	Mar 08(E)	23,600	7.1%	2,060	54.3%	8.7%	84.2
ORGANO (6368)	Mar 08(E)	82,000	4.5%	6,400	-13.8%	7.8%	67.6
KURITA WATER INDUSTRIES (6370)	Mar 08(E)	207,000	5.0%	28,000	10.9%	13.5%	122.0

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