

JASDAQ 7826 FURUYA METAL Co., Ltd.

Sector; Other Products 5-Feb-08

Maker of industrial precious metal by digging and revitalizing rare metal from "urban mine"

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report@ftg.jp**Company profile**

Representative Takahito Furuya URL: <http://www.furuyametals.co.jp/>

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Business line a marketing firm handling a range of products from precious metal products to sensors, electronic material and semiconductor-related products and thin-film products

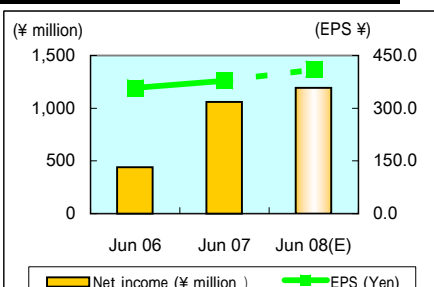
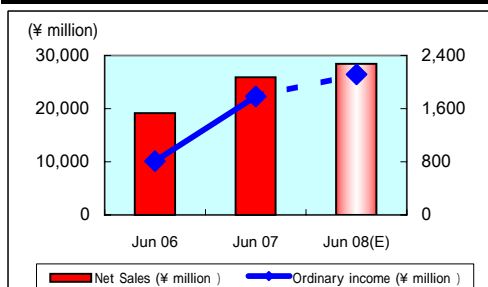
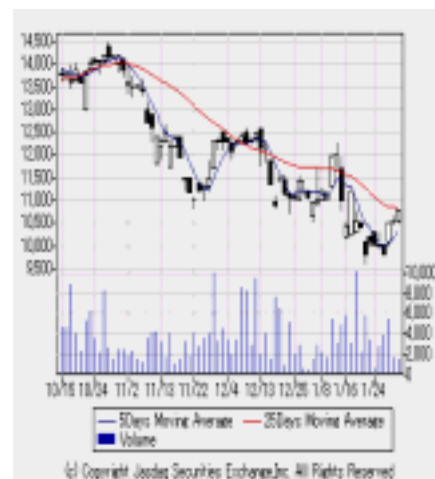
Shares issued 2,910,206 shares (6/30/2007)
Special owners 64.6%, Foreign owners 14.4%, Japanese Funds 8.7%

Major Holders Takahito Furuya 17.7%, Mitsubishi Corporation 12.5%, Japan Trustee Services Bank, Ltd. (Trust Account) 6.9%, LONMIN PLC 6.8%

Established August 1968
Listed September 2006

31-Jan-08	
Stock price (¥)	10,780
PER(E)	26.3
ROE(E)	18.4%
Market cap (¥ million)	31,372
Volume	1,600
Trade Unit	100

	Net Sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Dividend (Yen)	EPS (Yen)	ROE (%)
Jun 06	19,131	811	441	7.5	358.0	9.9
Jun 07	25,893	1,783	1,060	10.0	378.5	17.0
Jun 08(E)	28,453	2,116	1,194	7.5	410.5	18.4
Dec 07 (Interim)	13,080	954	540			

**Industry trend**

Platinum group metal includes the following 6 metals, Platinum (Pt), Palladium (Pd), Rhodium(Rh), Ruthenium (Ru), Iridium (Ir), Osmium (Os). As to the platinum output, South Africa accounts for 78% and Russia 13% in 2006. Gross output in 2006 is as follows. Platinum 218ton, Palladium 264 ton, Rhodium 25 ton, Ruthenium 19 ton, Iridium 4 ton. The producing country is scarce and output is small. Refining is the most costly and time consuming in the process of platinum and it accounts for 65 ~ 75% of the total process. Recycle and efficient use of platinum is required in view of the cost and environment disruption. More than half of Platinum is used for automobile catalyst, catalyst for purifying exhaust gas. Palladium and Rhodium are also used for catalyst. Nearly half of Iridium is used for catalyst in chemical and electrochemistry and about 20% is used for crucible in electronics. An alloy of Platinum and Ruthenium is used for catalyst for electrode fuel battery. The demand for Platinum group metal as catalyst is expected to increase amid the tighter control for CO2 emission. (Source : NIMS "Outlook for element strategy . A complete alternative strategy for materials. Chapter 2. Study on characteristics of element. 2. Specific application 1) Platinum group metal)

Business strategy

FURUYA METAL manufactures industrial precious metal products using platinum group metal. Especially, the company focuses management resources on Iridium products and Ruthenium products. Its main business segments are as follows. Electronics(accounting for the first half of 30% of total sales)division having 95% share in Iridium crucible and thin film division making Ruthenium target materials used for making hard disk (accounting for the second half of 40%). In anticipation of an increase in Ruthenium use due to the change of hard disk recording method (from "horizontal magnetism" to "vertical magnetism"), the company reinforced Ruthenium refining capability by enhancing production line for thin film products of Tsukuba factory in July 2007 and starting operation of Tshiura factory in January 2008. Due to the small output of Ruthenium in the world, the company stably procures Ruthenium from a major shareholder Lonmin of UK (a parent company of Western Platinum of South Africa). Also, the company conducts precious metal recycle business using catalyst, fuel battery and hard disk from "Urban Mine" in addition to the mill ends through a JV with Mitsubishi Materials(5711) and Mitsubishi Corporation(8058). The business results forecast for FY June 2008 is as follows. Sales ¥28.453billion (YOY 9.9%), Ordinary income ¥2.116 billion (YOY 18.7%), Net income ¥1.194 billion (YOY 12.6%).

Corporate analysis by IR STREET

Strength 1.Sole specialized maker of industrial platinum group metal in Japan 2.Good relationship with major shareholder Mitsubishi Corporation(8058) and Lonmin of UK 3.Top-notch technology in the world (dissolution, sinter, processing, analysis, refining, coating etc.)	Opportunity 1.Low yield of platinum →rarity value 2.Wide range of use (electronics, optical glass, clean energy, environment conservation etc.) 3.Spread of PC in Brics→Increase of hard disk production
Weakness 1.Ruthenium refining capability 2.Drop of hard disk price (→Downward pressure on selling price of ruthenium target materials)	Risk 1Tight platinum market (quantity· price) 2.Forex fluctuation (US dollar basis)

《Peer comparison》

	Fiscal Year end	Sales (¥ million)	YoY (%)	Ordinary income (¥ million)	YoY (%)	Ordinary income (%)	EPS (¥)
FURUYA METAL	Jun 08(E)	28,453	9.9%	2,116	18.7%	7.4%	410.5
ASAHI PRETEC (5855)	Mar 08(E)	112,000	14.7%	10,200	6.5%	9.1%	165.8
Dowa Holdings (5714)	Mar 08(E)	440,000	-4.1%	46,000	-7.5%	10.5%	73.5

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