

MOTHERS 2175 SMS CO.,LTD

Sector; Services

3-Jul-08

A company constructing info infrastructure for workers in the Japanese caring and medical industry

Contact ; Mr.Arai TEL ; +81-3-3560-5469 (TOKYO, JAPAN)

report@ftg.jp**Company profile**

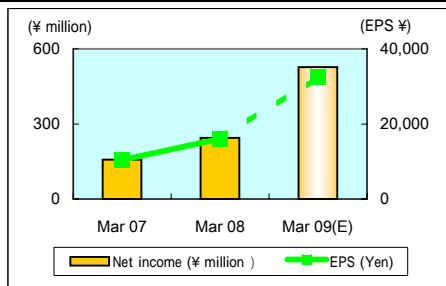
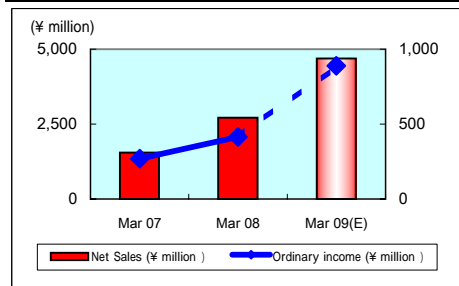
Representative Shuhei Morofuji
Head Office 3-5-27, Mita, Minato-ku, Tokyo
Business line A company a temporary staffing agency.
Shares issued 16,150 shares (3/31/2008)
Major Holders Special owners 78.5%, Foreign owners 0.9%, Japanese Funds 5.9%
 Shuhei Morofuji 35.1%, Shigeki Taguchi 16.5%, AS ONE Corporation 6.1%, So-net M3, Inc. 4.3%, The Master Trust Bank of Japan, Ltd. 3.7%

URL: <http://www.bm-sms.co.jp/>

Established April 2003
Listed March 2008

30-Jun-08
Stock price (¥) 1,080,000
PER(E) 32.6
ROE(E) 53.9%
Market cap (¥ million) 17,534
Volume 2,305
Trade Unit 1

| | Net Sales (¥ million) | Ordinary income (¥ million) | Net income (¥ million) | Dividend (Yen) | EPS (Yen) | ROE (%) |
|------------------|--------------------------|--------------------------------|---------------------------|-------------------|--------------|------------|
| Mar 07 | 1,545 | 269 | 157 | 0 | 10,398 | 35.1 |
| Mar 08 | 2,715 | 415 | 244 | 0 | 16,069 | 32.3 |
| Mar 09(E) | 4,691 | 889 | 527 | 0 | 32,631 | 53.9 |
| May 08 (Interim) | 2,235 | 651 | 386 | | | |

**Industry trend**

Net increase in Japanese population turned negative for the first time in 2005 (Ministry of Internal Affairs and Communications > 2005 Population Survey report). This fact indicates that Japanese population is on the downward trend due to the decreasing total fertility rate. Baby boomers who account for large portion of the population started to retire in earnest from 2007. The young labor population is expected to decrease due to low birthrate and cutback on hiring. Therefore, population pyramid of workers is supposed to be skewed (MIC > 2005 Labor Force Survey). The companies are supposed to further diversify employment pattern such as hiring of fixed-time workers to solve the problem of decrease and skew of population. The HR services industry meets the needs of diversified employment pattern. The industry is categorized as follows.

①staff placement (Tempstaff (2476), Pasona (2168) etc. ②Dispatch·outsourcing (Fullcast (4848), Meitech (9744) etc. ③job info provision (Intelligence (4757), Dip (2379) etc.) The industry continues to expand. However, shakeout and reorganization started due to the tighter administrative regulations and economic conditions. Foreign firms (Adeco, Manpower etc.) started to show higher presence. (Source : Intelligence HP > IR info > HR industry)

Business strategy

SMS CO., LTD provides info such as job hunter in the industry of caring, medical and active senior via web (active senior : the senior who are aggressive in work, hobby, social participation and consumption, definition by SMS). The company operates 14 websites focused on specific fields such as matching of staff of clinical nurse and pharmacist. Over 80 nationwide consultants of the company introduce firms for the job seekers. In the caring industry, employee turnover rate is in the latter half of 20% and companies whose turnover rate over 30% account for approximately 25%. (Source : Kaigo center "Field survey of caring work" (2006)). The company is a pioneer of staff placement business for workers and companies and established its contingent fee based biz model. The business results forecast for FY March 2009 is as follows. Sales ¥4.691 billion (YoY 72.8%), Ordinary income ¥889 million (YoY -108.7%), Net income ¥527 million (YoY -115.7%). Over 100 proposals are made based on "new biz proposal system" which is participated by all the employees. The system is a base for startup of new service. (Source : Nikkei Business Online > small innovative firm > true face of IPO firm renewal April 14, 2008 issue, The company's HP > IR info > IR library > Presentation for FY March 2008)

Corporate analysis by IR STREET

| | |
|---|---|
| Strength | Opportunity |
| 1.Operation of web site focused on specific fields (clinical nurse, caregiver, pharmacist etc.) | 1.Progress of Japanese aging society |
| 2.Provision of plural services (staff placement, job info, community site etc.) | 2.Expansion of info infrastructure market of the caring and medical industry |
| 3.Implementation of "new biz proposal system" (8 new bizs are to be started) | 3.Expansion of staff placement and job info market of the caring and medical industry |
| Weakness | Risk |
| 1.The number of employees is 176 (as of FY March 2008) -95 increase from the previous FY | 1.Entry of competitors such as major placement firms into the market |
| 2.Loss on investment in new biz | 2.Revision of laws affecting the nursing and medical industry |

Peer comparison

| | Fiscal Year end | Sales (¥ million) | YoY (%) | Ordinary income (¥ million) | YoY (%) | Ordinary income ratio (%) | EPS (¥) |
|--------------------------|-----------------|----------------------|------------|--------------------------------|------------|------------------------------|------------|
| SMS | Mar 09(E) | 4,691 | 72.8% | 889 | 108.7% | 19.0% | 32,631 |
| DIP Corporation(2379) | Feb 09(E) | 11,700 | 24.8% | 1,000 | 40.6% | 8.5% | 4,314 |
| Tempstaff Co.,Ltd.(2476) | Mar 09(E) | 244,450 | 3.2% | 11,510 | 0.0% | 4.7% | 9,485 |
| INTELLIGENCE. LTD(4757) | Feb 09(E) | 100,000 | 10.4% | 6,930 | 2.6% | 6.9% | 10,275 |

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