

**MOTHERS 3627 Primeworks Corporation**Sector: Information  
& Communication

14-Jul-08

Provider of "cool japan" digital contents to worldwide mobile phones

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[report@ftg.jp](mailto:report@ftg.jp)**Company profile**

**Representative** Masashi Ikeda URL: <http://www.primeworks.jp/>

**Head Office** 17, Kanda-higashimatsushitacho, Chiyoda-ku, Tokyo

**Business line** Development of mobile phone and Internet contents, software and services.

**Shares issued** 15,540 shares (2/29/2008)

Special owners 89.2%, Foreign owners 0.1%, Japanese Funds 0.0%

**Major Holders** Masashi Ikeda 35.3%, Mobile Internet No.1 Investment Fund 28.3%, Sharp Corporation 7.7%, Infoscience Corporation 3.8%, TTKM Co., Ltd. 3.8%

**Established** April 2004

**Listed** May 2008

	Net Sales (¥ million)	Ordinary Income (¥ million)	Net Income (¥ million)	Dividend (¥)	EPS (¥)	ROE (%)
Feb 07	1,488	140	79	0	15,330	24.3
Feb 08	2,253	310	181	0	16,084	34.1
Feb 09(E)	3,033	349	209	0	12,151	30.3
May 08 (Interim)	1,411	174	104			

9-Jul-08

**Stock price (¥)** 374,000

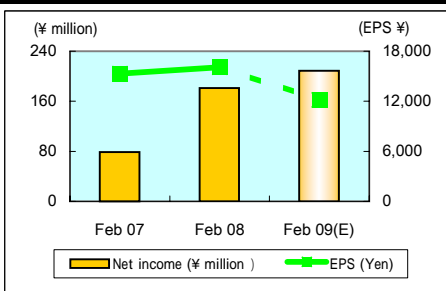
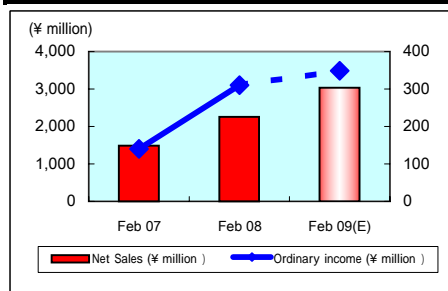
**PER(E)** 33.8

**ROE(E)** 30.3%

**Market cap (¥ million)** 6,635

**Volume** 1,084

**Trade Unit** 1

**Industry trend**

Japanese mobile market is likened to "Galapagos". The development of closed market is compared to Galapagos islands whose eco system is unique. As a result, mobile phone market began to grow sluggishly due to longer replacement period and low overseas presence. Price competition started to be stiffer due to calling rate cut and fixed charge system. Reorganization started among the mobile phone makers due to increasing development costs, increasing phone types and sluggish new shipments. Shift from "vertical integration model" which provides integrated service from phone to services to "open model" which enables various firms to provide various services started due to the influence of overseas trend. "The next frontier after SNS is mobile", this was the topic in "Supernova" which took place in June 2008 in USA. However, the application demonstrated in "Supernova" is existing one in Japan. Mobile services such as "mobile wallet" (service using IC chip embedded in mobile) and "one-segment broadcasting" (mobile corresponding to overground digital TV) is led by Japan. (Source : NOnline "Where are Japanese mobile phones going ? ", "Japan disappearing from web world" by Nobuo Ikeda)

**Business strategy**

Primeworks Corporation is mainly engaged in the business of development of browser for mobile, making and delivery of digital contents. Specifically, its strength is making and delivering digital contents of "Comics ( Manga)" based on use rights. The comics market for mobile is estimated to be over ¥3 million in 2008. The company provides services to major Japanese firms such as NTT docomo (9437), au (KDDI (9433)) and Softbank mobile (Softbank ( 9984)). The company established biz model which generates income when comics are purchased by mobile users. Other businesses include "custamo" which enables users to customize display and support of website building for medical, cosmetics and health food industry. The company is going to seek creative mixture of development of application technology, digital contents and web. The company also plans to develop the biz of contents making and delivery overseas. The business results forecast for FY March 2009 is as follows. Sales ¥3,033 million (YoY 34.6%) , Ordinary income ¥349 million (YoY 12.6%) , Net income ¥209 million (YoY 15.7%) (Source : Nikkei business June 23, 2008 issue "There is recipe for making ¥3.5 trillion investment money behind growth growth by comics delivery, listing within 4 years").

**Corporate analysis by IR STREET**

<b>Strength</b> 1.Provider of comprehensive services such as application, contents and web 2.Strong connections with firms in the mobile business (major mobile service provider, maker etc 3.Provision of solutions with both web and mobile	<b>Opportunity</b> 1.Expansion of market of comics for mobile phones 2.Increasing needs for rich contents in mobile phone market 3.Increasing needs for seamless use of web and mobile
<b>Weakness</b> 1.The number of employees is 84 ( as of Feb. 29, 2008 ) →plan to increase 50 annually 2. Balance of business expansion with server capacity--funds obtained from IPO were used for investment in server	<b>Risk</b> 1.Trend of Japanese mobile market 2.Heavy reliance on specific clients ( over 50% of sales with major three clients(FY Feb. 2008)) 3.Heavy reliance on specific person (CEO Ikeda)

## 《Peer comparison》

	Fiscal Year end	Sales (¥ million)	YoY (%)	Ordinary income (¥ million)	YoY (%)	Ordinary income ratio (%)	EPS (¥)
Primeworks	Feb 09(E)	3,033	34.6%	349	12.6%	11.5%	12,151
AXEL MARK Inc.(3624)	Oct 08(E)	3,617	78.7%	324	78.0%	9.0%	7,212
SystemPro Co., Ltd.(2317)	Sep 09(E)	9,633	21.5%	2,004	28.9%	20.8%	5,167
CELSYS, Inc(3829)	Oct 09(E)	2,668	50.5%	415	484.5%	15.6%	8,047

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