



FSSA Japan Equity

Uncovering hidden gems in an overlooked market

Sep 20th 2023

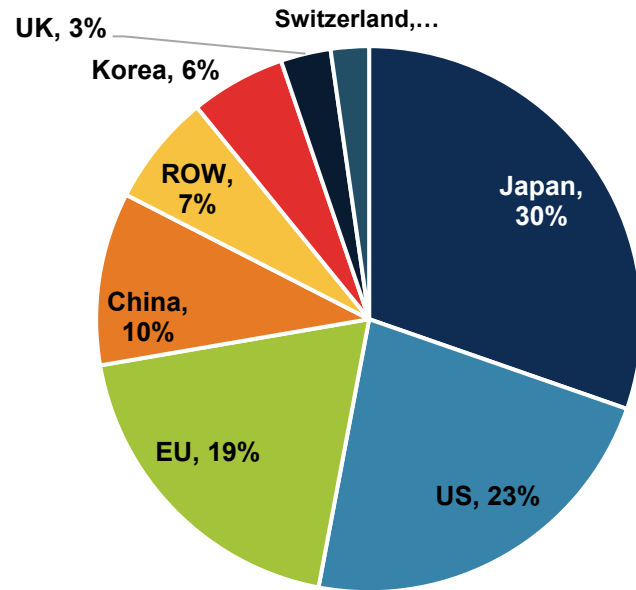
Sophia Li, Portfolio Manager, FSSA Investment Managers

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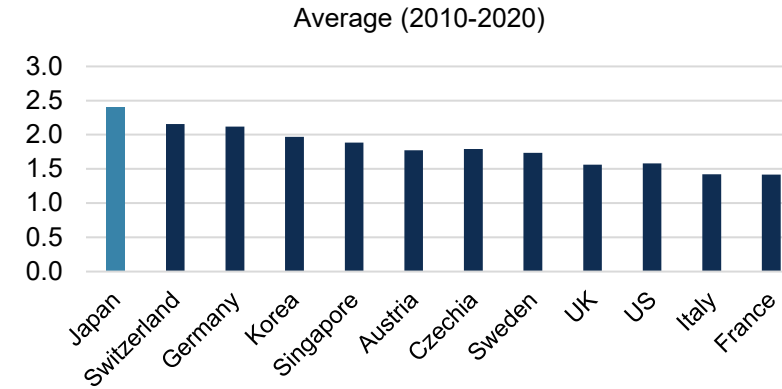
 **FSSA**
Investment Managers

Japan – a global leader in innovation

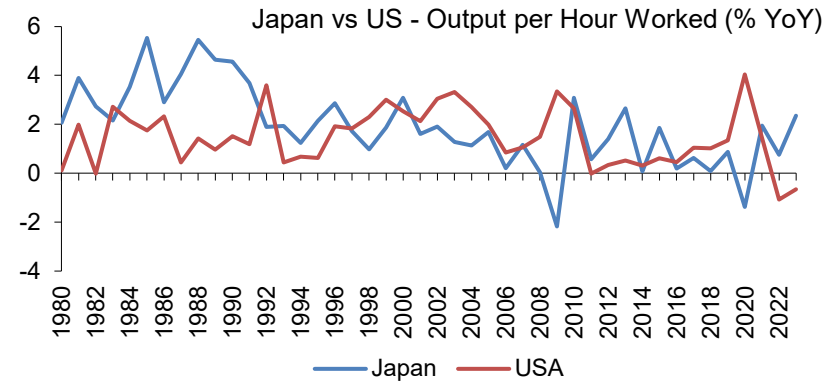
Global Patent Family in 2020 (% share)



Economic Complexity Index



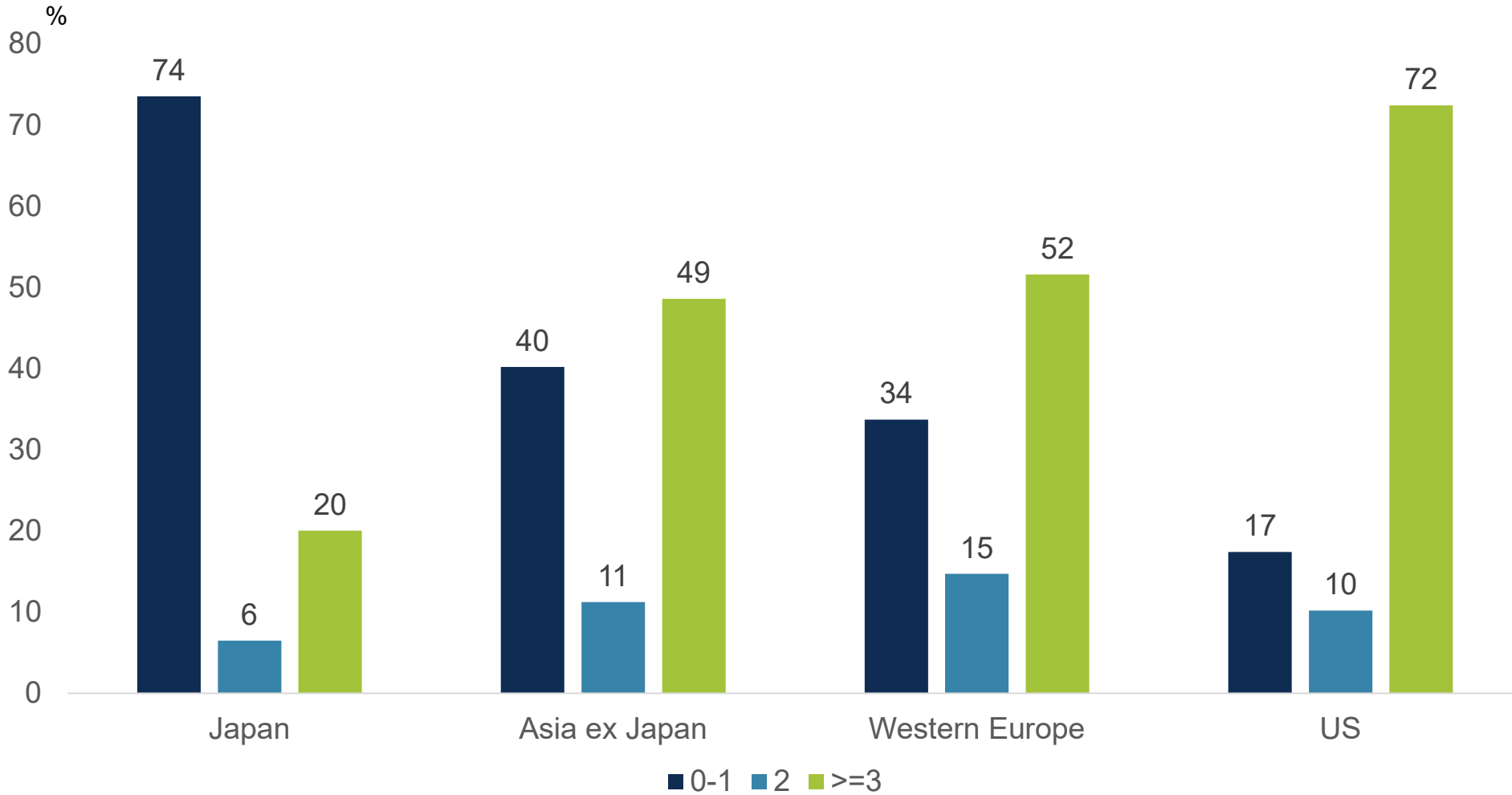
Productivity as high as the US



Source: OECD, TED, UNESCO. Data is also subject to revision from source. Note that 2023 is an estimate

Japan is the most under-researched market

% of companies, by number of coverage analysts



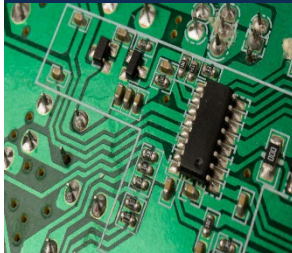
Source: Bloomberg, Jefferies

Note: Asia ex Japan includes China. Western Europe follows the MSCI country list. By the end of 22nd April 2022.

Investment themes in Japan

We focus on four key themes

Global Leaders in semiconductor supply chain



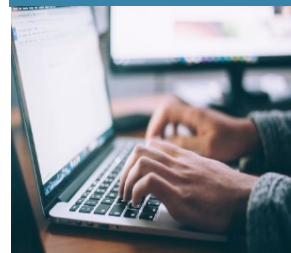
- Japan is dominating key materials, components and equipment for advanced semiconductor production process
- Broad investment universe with robust franchises in advanced technology
- Eg) Lasertec, Fuso Chemical, Ajinomoto

Strong niche companies



- Abundant investment opportunity in small and robust companies with unique franchises
- Companies have ability to grow steadily with limited competition
- Eg) Shoei, Roland, Amvis

Beneficiaries of digital transformation



- Secular growth trend in digital transformation with under digitalized environment
- Strong support of Japanese government to enhance efficiencies and solve labour shortage issue
- Eg) BayCurrent Consulting, Rakus, Nomura Research Institute

Champions with global franchises



- Globally leading companies with worldwide franchise in each field
- Unique business model and globally competitive technology
- Eg) Sony, Keyence, Olympus, Recruit Holdings

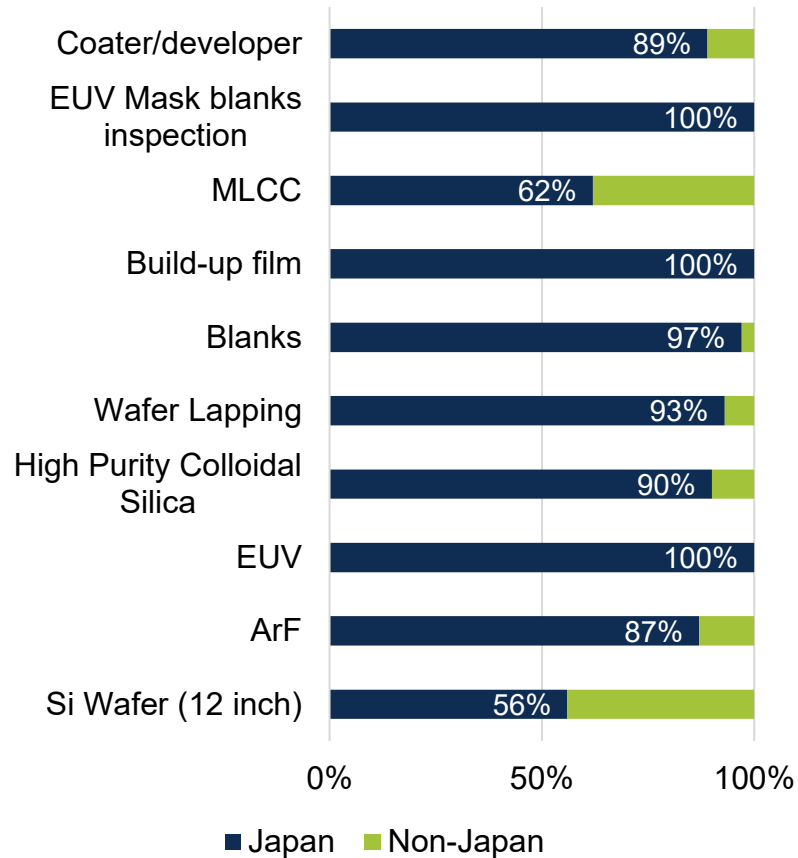
Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell the same.

PTCA is Percutaneous Transluminal Coronary Angioplasty; SPE is Semiconductor Production Equipment; EUV is Extreme Ultra Violet; MRO is Maintenance, Repair, Operations; SMEs are Small to Medium Enterprises

Global leaders in semiconductor supply chain

Japan holds majority market share in key manufacturing processes

Global Market Share of semiconductor Materials, Components, and equipment



Source: Nomura, Company data (as at Aug 2023)

AJINOMOTO

- Monopoly in Ajinomoto Build-Up Film (ABF)

Lasertec

- Monopoly in EUV mask inspection system

FUSO

- Monopoly in high purity silica

tok

- Leader in photoresist material

ShinEtsu

- Leader in silicon wafer

HOYA

- Monopoly in EUV mask blank

Beneficiaries of digital transformation

Solution providers to resolving structural shortage of IT talent in Japan

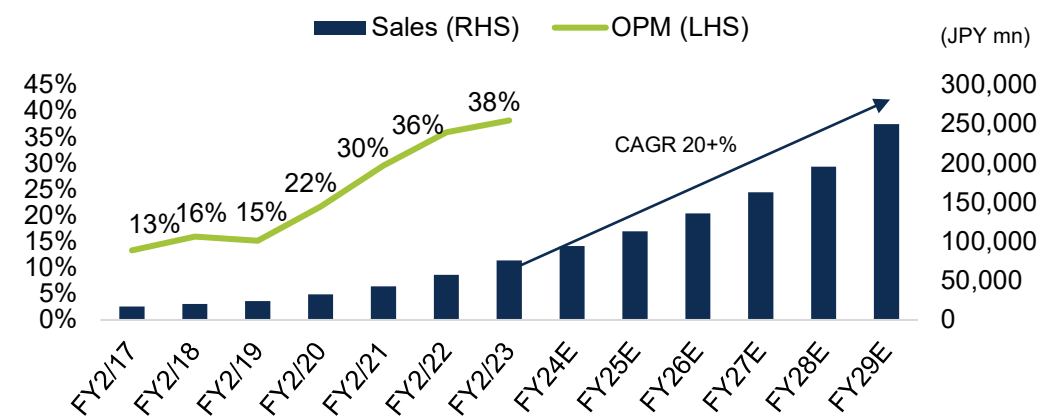
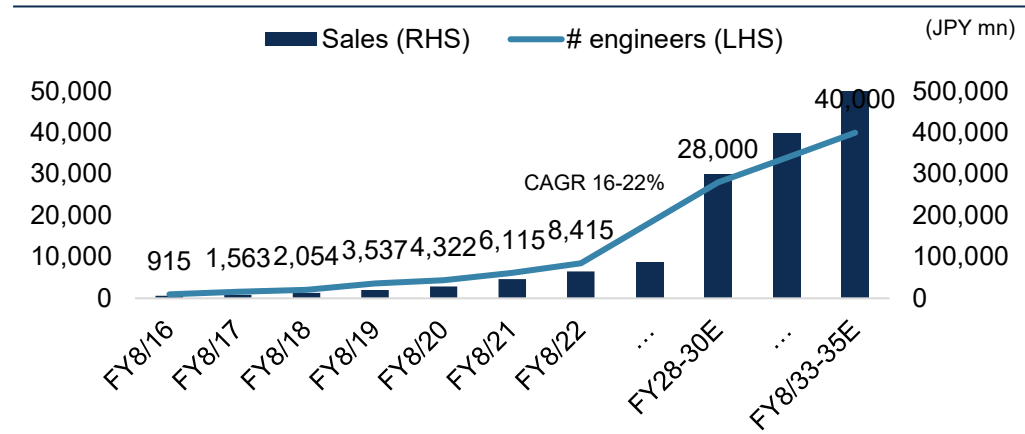


- Leading enterprise software testing service provider. Low **c.1% outsourcing ratio** in Japan.



- Largest domestic business consulting firm (**c.3,000 in-house consultants**) with speciality in DX consulting.

Future Growth Outlook



Source: Factset, Company data (as at Aug 2023).

Niche and robust small cap universe

Global niche dominators and robust domestic brands

 Roland



- No. 1 in global electronic & acoustic drums.
- Top market share in global musical instrument market

 SHOEI



- 60% market share in the global premium motorbike helmet market
- Presence in the US, Europe, China, Japan and other Asian countries



- c. 60% market share in Japan taps and end mills product.
- c. 30% market share in the global tap market

 MILBON



- Top market share in the Asian professional hair care market

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Source: Nomura, Company data (as at Aug 2023).

| Global champions

SONY

- No. 1 player in global game console (PlayStation franchise) market, and no.1 player in global music publishing industry. Also the company is no.1 manufacturer in CMOS image sensor.
- The company has offices in more than 82 countries

 **RECRUIT**

- Global leader in HR recruitment service with Indeed and Glassdoor platform
- Operating in more than 60 countries for its HR technology services

OLYMPUS[®]

- Global leader in gastrointestinal endoscope market with 70% market share
- Global presence in more than 38 countries

 **KEYENCE**

- Global leader in machine vision and sensor
- Strong global sales network with more than 240 offices in 46 countries

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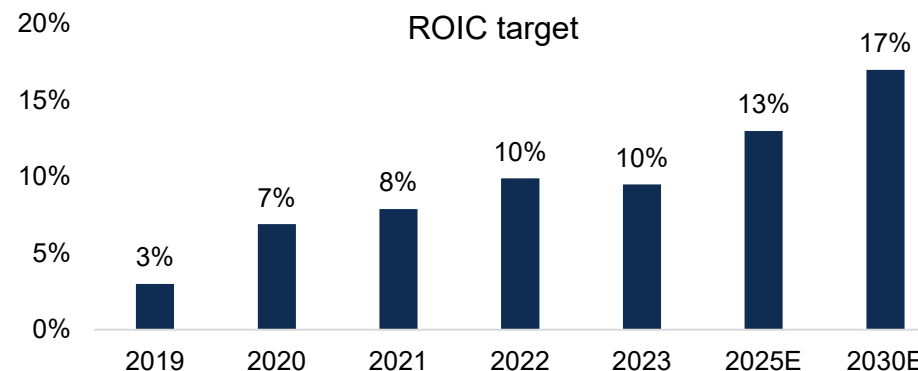
Source: Nomura, Company data (as at Aug 2023).

Successful turnaround case in corporate Japan

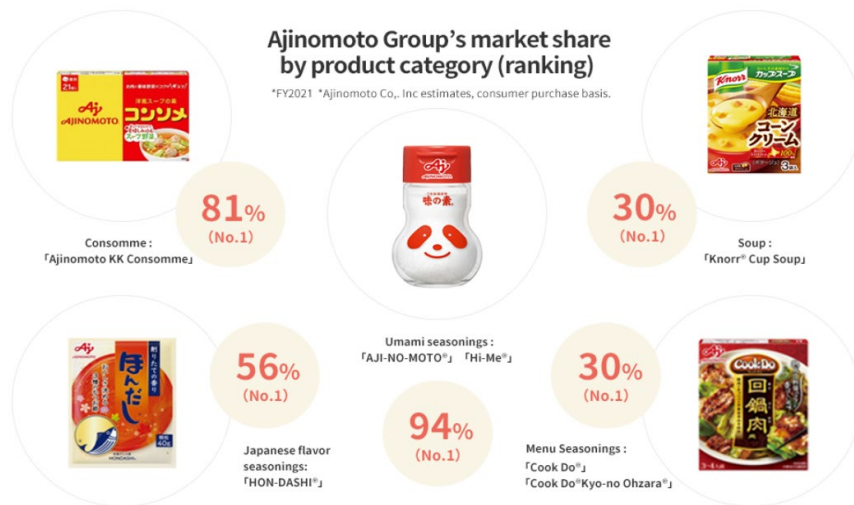
Ajinomoto – Adding new growth drivers by leveraging core technology

- Ajinomoto is a good example of a successful restructuring case in Japan. By leveraging its superior amino acid technology, it has expanded its business portfolio from seasonings and foods to IT and Healthcare industries.
- Its Ajinomoto Build-Up (“ABF”) film is a type of vital insulating material applied to CPU/GPU package substrate. It has globally monopolistic position in ABF.
- The company is building its franchise in structurally growing areas such as bio-CDMO and pharmaceutical API business.

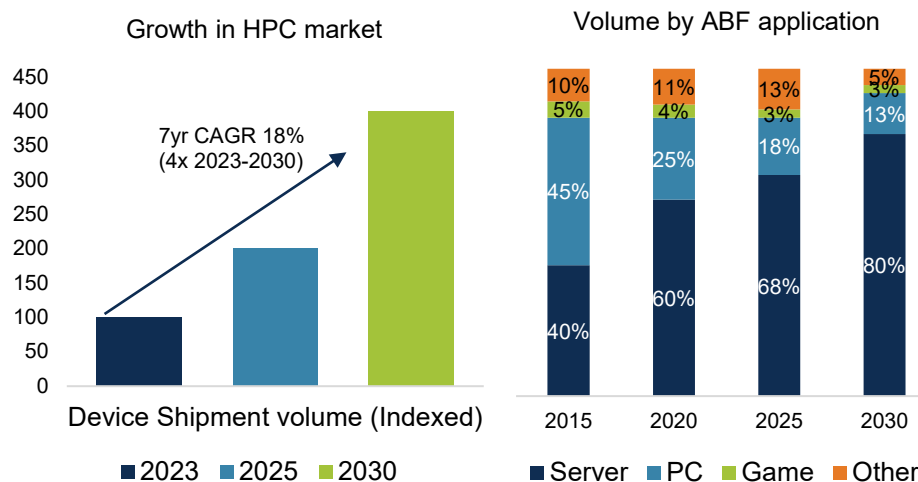
Aims to further improve ROIC through restructuring



Ajinomoto has dominant share in seasoning and sauce market



Structural high market growth is expected in ABF



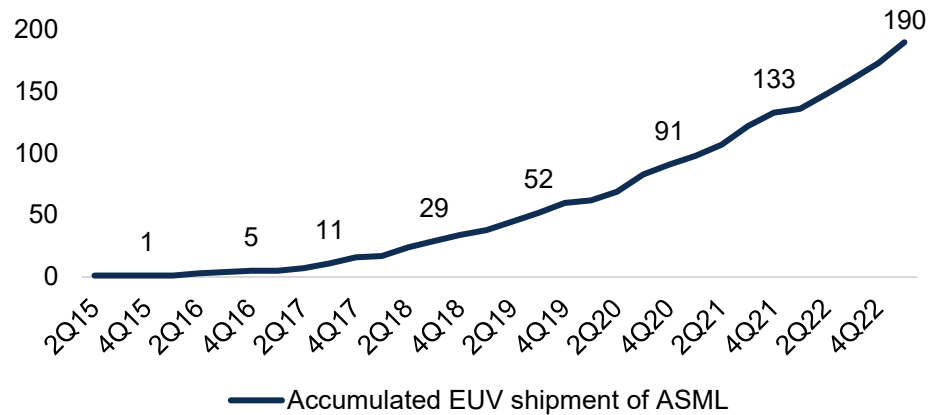
Source: Company data (as at Feb 2023)

Global leader with structurally indispensable technology

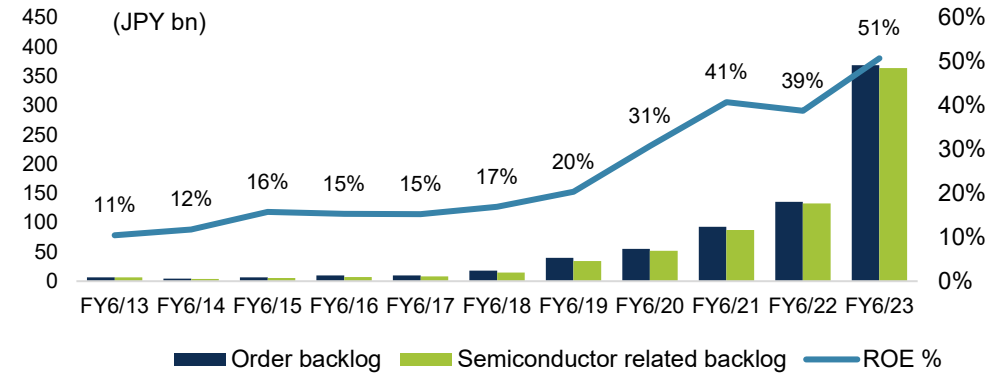
Lasertec – Monopolistic player in EUV mask inspection system

- Lasertec is a global leader of mask blank and photomask inspection systems used in the semiconductor production process.
- It is a classic example of companies that have kept creating new avenues of growth via technological innovation.
- It's a key beneficiary of adoption of extreme-ultraviolet lithography (EUVL) which has been used in the mass production process by major semiconductor manufacturers like TSMC and Samsung since 2019.

EUV lithography equipment is structurally growing



EUV equipment order growth and ROE trend



Unchallenged position demonstrates technological leadership

	Inspection method	Customers	Market share
Photomask Inspection at wafer fabs	EUV (With and w/o pellicle)	TSMC, Samsung, Intel	80-100%
Mask blank Inspection	EUV	Hoya, AGC	100%
	DUV	Hoya, AGC, Shin-Etsu	100%
Photomask Inspection at mask shops	EUV	TSMC, Samsung, Intel	100%

Source: Gartner, Alliance Bernstein, Company data (as at June 2023).

The background features a scenic view of a harbor. In the foreground, a traditional Chinese junk boat with three large, bright orange sails is on the water. The water is calm, reflecting the boat and the sky. In the background, a modern city skyline with various skyscrapers is visible under a blue sky with scattered white clouds. A semi-transparent white horizontal bar is overlaid on the middle of the image, containing the text 'Live Q&A'.

Live Q&A

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