



Today's Theme



Japan

Japanese Mid & Small-cap Stocks (Series 2 / 3)



What sort of companies are there in Mid & Small-cap stocks?



There are many attractive companies growing with unique business models of their own. They are offering good investment opportunities.

Some of their business strategies are easy to understand for us too.

■ The Japanese economy is facing the harsh reality of population decline, however, there are plenty of companies who have their own way for business growth with their unique business models.

In this report, we would like to introduce some examples of such Mid & Small-caps with seeds for a growth; (a) Overseas business expansion, (b) Take advantage of aging population, and (c) Take benefit from hosting the 2020 Olympic games in Tokyo.

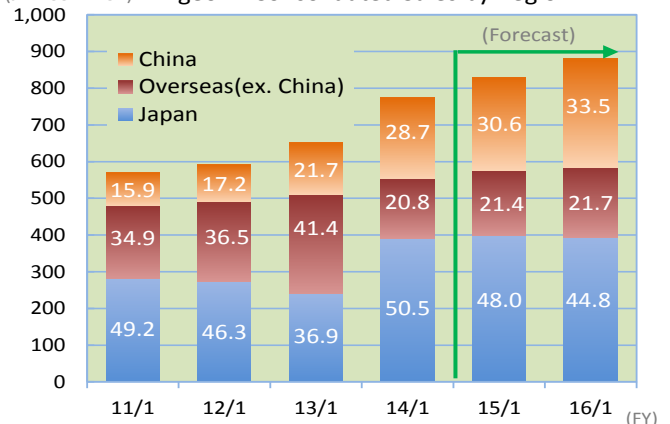
(a) Overseas business expansion

Some companies are looking for seeds of growth in overseas markets. In China (PRC), sixteen million babies are borne every year. Compared to the number of newly borne babies in Japan that has one million and twenty thousand in 2013, we can find China has an enormous childcare market.

One of the companies who are aggressively entering into the overseas markets is Pigeon (7956).

Pigeon is a company who runs babies related business such as manufacturing quality paper diapers. In fiscal year January 2015, their sales in China are expected to exceed 30% of the total consolidated sales for the first time.

(JPY100million) Pigeon - Consolidated Sales by Region



(Note) Data is from fiscal year Jan. 2011 to Jan. 2016.

Forecast of SMAM beyond fiscal year Jan. 2015.

(Source) SMAM, based on financial statements published by Pigeon.

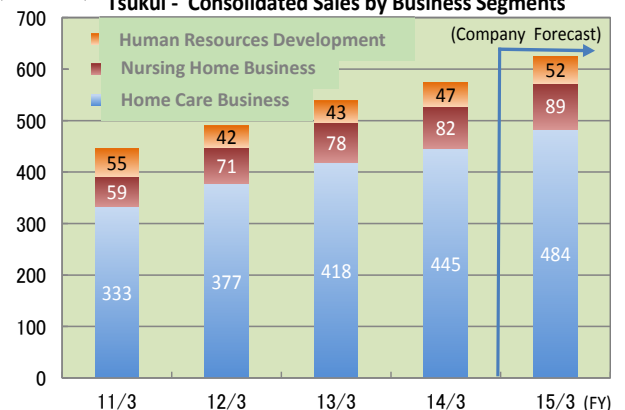
(b) Take advantage of the aging population

Japan can not avoid the reality of its demographic structure, however, the increase in number of aged population can be taken positive in some aspects. In the prime minister Abe's "Japan Growth Strategy", revitalising healthcare industry and providing high-quality healthcare services are mentioned as one of the most important national strategies.

One of the companies who support the "Aging Japan" is Tsukui (2398), specialised in the health care services for the elderly through home care business and nursing home business.

In Japan, population of late-stage elderly (75 years & over) is forecasted to increase by 6 million to 21 million in year 2025 from 15 million in year 2012.

(JPY100mil.) Tsukui - Consolidated Sales by Business Segments



(Note) Data is from fiscal year Mar. 2011 to Mar. 2015.

Forecast of Tsukui for fiscal year Mar. 2015.

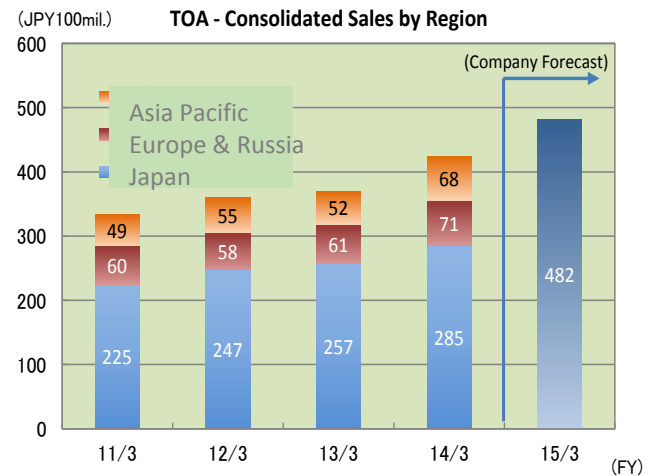
(Source) SMAM, based on financial statements published by Tsukui.



(c) Take benefit from the 2020 Olympic games in Tokyo

Among various policies & measures in the “Growth Strategy”, majorities are set to be achieved in 2020, year when the second Tokyo Olympic Games are scheduled to be held.

One of the companies who tries to capture the increasing demand created by hosting the Tokyo Olympic Games is TOA (6809). The company is specialised in industrial sound speaker system such as large-scaled private broadcasting apparatus for sports facilities, conference hall, railway vehicles etc. Its second pillar of the key business is security system business such as production of security cameras. Expectation on TOA’s business growth towards the 2020 Tokyo Olympic Games is rising as it obtained the official mandates for 31 sports facility sites when the first Tokyo Olympic Games was held in 1964.



(Note) Data is from fiscal year Mar. 2011 to Mar. 2015.
Forecast of TOA for fiscal year Mar. 2015.

(Source) SMAM, based on financial statements published by TOA.

(Note) All three companies shown above are just examples for introduction purpose.

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