Ichiyoshi Securities is your strategic partner for investing in Japan's small and mid-cap stocks

By Antoine Azoulay

In 2017, Lasertec, a little-known Japanese maker of inspection devices, introduced a groundbreaking equipment: the first of its kind capable of inspecting EUV photomasks. At the time, extreme ultraviolet (EUV) lithography—a cutting-edge technology that enables the production of faster, smaller and more efficient semiconductors—was on the verge of commercialization. .

Twelve months after, the world's largest chipmakers, TSMC and Samsung, began test production using EUV. Fast forward to 2024 and the technology has revolutionized semiconductor manufacturing and made next-generation applications like generative AI, 5G, and high-performance computing a reality.

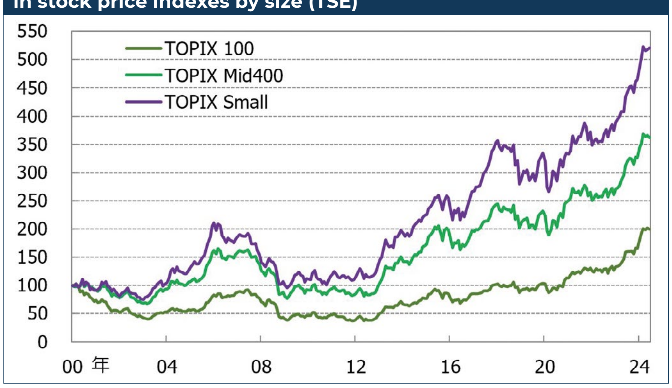
During this time, Lasertec established a monopoly in EUV mask inspection, driving its share price from around 500 yen in 2017 to a staggering 35,000 yen by December 2021. Today, it stands as a cornerstone of the chip supply chain, with its stock price crossing 45,000 yen in 2024.

While Lasertec's rise may seem exceptional, it is not as rare as it appears. Since 2000, the Topix Small and Topix Mid400 indices—which track small and mid-cap stocks on the Tokyo Stock Exchange—have consistently outperformed the Topix100. This trend is driven by Japan's "hidden champions"—small to mid-sized enterprises that dominate niche markets with specialized, high-tech solutions. Amid shifts in semiconductor and automotive production, machine autonomy, and additive manufacturing, these companies are poised to expand across industries, offering investors potential for outsized returns.

However, finding these "hidden gems" is no easy task, as it requires deep expertise, a strong understanding of corporate culture, and direct access to company strategy and management—capabilities not readily available to foreign investors. Addressing this gap is precisely what made Ichiyoshi Securities' success. Founded in 1948, this boutique securities firm specializes in identifying equities with significant mid-to-long-term growth potential.

"Our uniqueness lies in our specialization in small to mid-caps," explains Hirofumi Tamada, president of Ichiyoshi Securities. "We have more analysts focused on small to mid-cap stocks than any other firm." To solidify its position, the company established the Ichiyoshi Research Institute in 1987. Since then, the Institute's analysts have produced over 3,000 reports annually—a breadth of information unmatched in Japan. "We also conduct face-to-face interviews with company leaders to understand their strategy and direction," adds Tamada.

Differences in mid- to long-term stock price performance in stock price indexes by size (TSE)



Hirofumi Tamada,
President & Representative Director Officer,
Ichiyoshi Securities Co., Ltd.

ICHIYOSHI SECURITIES
www.ichiyoshi.co.jp/english

At the heart of Ichiyoshi's ethos lies a steadfast commitment to being a "name-brand boutique house" in the financial industry, a philosophy that leads the company to develop products that only it can offer. The latest is *Ichibanboshi*, a fund that invests primarily in undervalued stocks and small to mid-cap companies from across the world. From August 2023 to August 2024, total returns for Ichibanboshi exceeded 16 percent.

For investors seeking diversified investments with more predictable performance, the company recently launched *Mizunara*, a fund that covers stocks and REITs across Japan and global markets, focusing on achieving mid to long-term capital gains while securing high dividend income. As no-load funds, a rare offering among Japan's face-to-face securities companies, Ichibanboshi and Mizunara are advantageous products for investors in terms of cost.

Product diversification is a core strategy at Ichiyoshi Securities, whose focus centers on sustainable growth. Unlike traditional securities firms, which rely on brokerage commissions, Ichiyoshi has shifted to a "stock-type business model," earning revenue from trust and wrap account fees.

"Since 2000, we have focused on increasing our customer assets under custody and enhancing the management of our customers' assets," explains Tamada. "Because our uniqueness lies in offering mid-to-long-term investment strategies through personalized, face-to-face communication, having the confidence to shift our business model demonstrates that long-term retention is both beneficial and advantageous."

Thanks to this specialization strategy, Ichiyoshi's customer assets under custody have grown from 400 billion yen to 2 trillion yen over the past 20 years. The company's medium-term management plan, "3·D," which runs until March 2026, now aims to achieve 3 trillion yen in customer assets under custody.

As technological advancements continue to reshape industries, more success stories like Lasertec's are set to emerge. With its deep expertise, specialized research capabilities, and commitment to long-term growth, Ichiyoshi Securities offers investors a strategic partner to navigate this dynamic landscape and to uncover Japan's next "hidden gems."