

Future Stocks: Our best ideas in Japan

September 2024

Investment specialist Thomas Patchett identifies three Japanese companies, Softbank, Rakuten and Eisai, as leaders in automation, digitalisation and healthcare, creating opportunities unsung by the market.

Your capital is at risk.

Thomas Patchett: Japan is a very cyclical market. People often view it as a geared play on global economic growth, but we think the opportunity lies elsewhere, in digitalisation, automation, a number of unique opportunities within healthcare. These areas are fairly unique to Japan and often are underappreciated by the wider market.

Rakuten **operates Japan's largest online ecosystem**. So, they have about 70-plus services online **from banking, insurance, cashless payments, to ecommerce**. I think it's hard to walk down a street in Japan without seeing some sign of Rakuten's presence. We think that the ecommerce and fintech services will continue to grow, but more recently, they have decided to launch a **telecommunications business, which would, effectively, provide a third pillar of growth**. Japan's mobile market is a very profitable one. You don't need much for this to become quite successful now.

So, SoftBank is a collection of technology-related businesses. I think most people would probably associate SoftBank with Alibaba, but SoftBank has also been very successful with other endeavours. So, in the early 2000s, at that time, because of the prolific number of investments they **had made, they were said to own a quarter of the internet**. Because we've been invested since the late 1990s, we do have very good access to the companies. I think that's one of the benefits afforded to us, is such a long-term investment in these companies.

Eisai is a Japanese pharmaceutical company with a focus on oncology and cognitive impairment, more specifically, **Alzheimer's**. One of the benefits of medical innovations over the last 100 years or so is that **we're all living a lot longer, but the quality of those additional years has not kept pace**. Eisai has created the first **FDA-approved treatment for Alzheimer's disease**. There are currently **53 million** people around the world today with dementia. That number is expected to triple in the next

20/30 years. Being the first drug that has been approved within this field gives them that potential to become the standard of care. So, that's what's really exciting with this company.

Risk factors

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