Sumitomo Mitsui DS Asset Management

SMD-AM Funds
SMD-AM Japan Mid Small Cap Value

For Professional Investors Only

Monthly Review

The Japanese stock market rose in January.

Defense-related shares, buoyed by escalating international geopolitical tensions, and gains in U.S. high-tech stocks helped drive the market higher at the start of the month. Subsequently, expectations for a more stable political foundation and smoother policy implementation grew on the back of speculation about the dissolution of the House of Representatives, pushing the market up further.

From mid-month onward, however, concerns over growing U.S.-European tensions regarding Greenland and a rapid appreciation of the yen—triggered by speculation about rate checks by the Japanese and U.S. monetary authorities (the practice of inquiring with major banks about conditions in the foreign exchange market as a precursor to possible FX intervention)—weighed on sentiment, narrowing the market's gains.

By sector, nonferrous metals, petroleum and coal products, and machinery outperformed the broader market, while services, information and communication, and other products underperformed.

In Jan 2026, our fund outperformed by Russell/Nomura Mid-Small Cap Index due to a positive stock selection effect.

Main contributors include the following stocks.

- EBARA CORP

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The share price rose as investors welcomed the increasing importance of CMP equipment—an area where the company has a strong advantage—in the production of high-performance memory such as HBM, which is essential for generative AI.

- CCI GROUP INC

The share price rose on expectations of improved profits (wider interest margins) driven by higher domestic interest rates.

- NIHON DENGI CO LTD

The share price rose on expectations of a sharp increase in demand for air-conditioning instrumentation, driven by a wave of new data center construction.

Main detractors include the following stocks.

- FUJI ELECTRIC CO LTD

The share price fell, as investors were disappointed by a brokerage report cutting its target price and by the lack of an earnings upgrade in the latest quarterly results.

- SANWA HOLDINGS CORP

The share price fell on concerns that rising interest rates will cool the housing and construction markets.

- SUZUKI MOTOR CORP

Weakening sales momentum in its key Indian market, due to softer middle-class demand and intensifying competition, led to a decline in subsidiary Maruti Suzuki’s share price, which became a negative factor.

Top 3 Contributors

Share Name	MSCI Sector
EBARA CORP	Industrials
CCI GROUP INC	Financials
NIHON DENGI CO LTD	Industrials

Top 3 Detractors

Share Name	MSCI Sector
FUJI ELECTRIC CO LTD	Industrials
SANWA HOLDINGS CORP	Industrials
SUZUKI MOTOR CORP	Consumer Discretionary

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＜Focus Stock＞

IBJ, Inc. (6071): IBJ, Inc. primarily provides matchmaking services, including marriage consultation agencies and platform services for these agencies. Additionally, in recent years, the company has been actively expanding its peripheral businesses to broaden its business scope. We believe that the improvement in the public perception of matchmaking services will further drive the company's performance. Moreover, the company's aggressive M&A activities are also contributing to its performance growth, and we expect these to continue. We anticipate significant synergies to emerge from these efforts.

Looking Ahead

We will pay attention to the companies that have increased or are likely to increase the market share of their products in Japan without resorting to a low-price strategy.

We will also maintain our focus on the companies that have increased shareholder returns as well as names with high free cash flow (FCF) yields.

Source: SMDAM, as of 31/01/2026

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