RNS Number : 4340D
Baillie Gifford Shin Nippon PLC
03 April 2025

RNS Announcement

Baillie Gifford Shin Nippon PLC (BGS)

Legal Entity Identifier: X5XCIPCJQCSUF8H1FU83

Results for the year to 31 January 2025

Regulated Information Classification: Additional regulated information required to be disclosed under the applicable laws and regulations.

The following is the results announcement for the year to 31 January 2025 which was approved by the Board on 2 April 2025.

Over the year to 31 January 2025, the Company's net asset value per share declined by 5.1% and its share price by 5.0%. The comparative index* appreciated by 8.9%. Over five years, the Company's comparative index* was up 23.4% while the net asset value was down by 18.8% and the share price was down 29.7%. All figures in total return, in sterling terms and net asset value with borrowings at fair value.

- Given the extent of the underperformance in recent years, and the negative impact that this has had on the share price discount, the Board has accelerated the rate of share buybacks, engaged with shareholders and undertook a thorough performance review at its strategy meeting in November.
- The Company's share price ended the period at a 14.6% discount to the NAV per share. 30.3 million shares were bought back in the reporting period, equivalent to 9.8% of the issued share capital as at 31 January 2024, and are currently held in treasury. The Company is seeking shareholder approval to cancel the share premium account to provide it with greater flexibility.
- The Company's investment policy has recently undergone a non-material change, removing the current restriction of less than JPY150bn market cap or sales at time of initial investment to one associated with the average market cap of the comparative index. Also, a number of measures have been introduced to make the investment process more robust.
- Brian Lum has been appointed deputy portfolio manager.
- High growth small caps in Japan remained out of favour during the first half of the year, with sentiment improving during the second half. Electric power cable and wire manufacturer SWCC Corp was the top contributor to portfolio performance. Japan's only pure-play online life insurer, Lifenet, was another strong performer as was leading global badminton brand Yonex. Litalico, Japan's leading provider of training and employment services for disabled adults and day care services for children with development disabilities, was the largest negative contributor to portfolio performance. Online payment company GMO Financing Gate was another weak performer and two of the portfolio's unlisted holdings, JEPLAN and Spiber, have been written down due to funding and capital concerns.
- Portfolio turnover for the financial year was 21.4%, with eleven positions exited and six new positions initiated.
- Revenue return per share was 0.67p (2024: 0.94p). The Board is recommending a final dividend of 0.60p per share (2024: 0.80p) to be put before shareholders as part of the Company's Annual General Meeting in May.
- The profitability and cash flow of the portfolio have improved over the year. Despite the much stronger potential earnings growth, the Company trades at a discount to the comparative index, whilst its shares trade at a significant discount to NAV. When the market returns to seeing value in the smaller Japanese sector, and we are the only investment trust offering pure exposure to this sector of the market, then we should be well placed to benefit.

† After deducting borrowings at fair value. For a definition of terms see Glossary of terms and Alternative Performance Measures at the end of this announcement.

* The Company's comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms). See disclaimer at the end of this announcement.

Source: LSEG/Baillie Gifford and relevant underlying index providers. See disclaimer at the end of this announcement.

Shin Nippon aims to achieve long term capital growth through investment principally in small Japanese companies which are believed to have above average prospects for growth. At 31 January 2025 the Company had total assets of £473.4 million (before deduction of bank loans of £83.6 million).

The Company is managed by Baillie Gifford, an Edinburgh based fund management group with approximately £205 billion under management and advice as at 31 March 2025.

Past performance is not a guide to future performance. The value of an investment and any income from it is not guaranteed and may go down as well as up and investors may not get back the amount invested. The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority. Investment in investment trusts should be regarded as long term. You can find up to date performance information about Shin Nippon at shinnippon.co.uk.

2 April 2025

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Chair's statement

Performance

I am disappointed to report that performance for the Shin Nippon investment trust remains demonstratively poor despite the companies in which the trust is invested having grown their sales more than 6% per annum faster than the reference index over the last five years. Valuations rather than fundamental growth have had a far more significant impact on our overall returns.

Over the year to 31 January 2025, the Company's net asset value ('NAV') total return was negative 5.1% and its share price total return was negative 5.0%. The comparative index (MSCI Japan Small Cap Index, total return in sterling terms) was positive 8.9%.

As highlighted in previous reports, your Board has determined that performance should be measured principally over rolling five-year periods to reflect the Managers' time horizon for investment. Over the five years to 31 January 2025, the Company's NAV total return was negative 18.8% and its share price total return was negative 29.7%. The Company's comparative index total return over the same period was positive 23.4%. Much of the underperformance has occurred over the past three years when the Company's NAV total return was negative 20.2% against the comparative index total return of positive 22.3%.

The Managers' report below goes into significantly more detail on the main drivers of portfolio performance during the period.

Given the extent of the underperformance in recent years, and the negative impact that this has had on the share price discount, the Board has accelerated the rate of share buybacks, engaged with shareholders and undertook a thorough performance review at its strategy meeting in November. Each of these topics is covered in more detail below, together with actions the Board has taken as a result. I have also included a reminder of the performance based tender that was introduced last year.

Discount and Share Buybacks

As at 31 January 2025, the Company's share price stood at a 14.6% discount to NAV, the same level as at 31 January 2024. Over the year, the Company has bought back approximately 30.3 million shares, which have been held in treasury, equivalent to approximately 9.8% of the Company's issued share capital. Since then, a further 9.1 million shares have been purchased representing 2.9% of issued share capital, which represents nearly all of the authority shareholders granted at last year's AGM.

As part of this year's AGM business, approval is again being sought from shareholders to renew the Company's share buyback authority to enable the Company to continue buying back shares if the discount to NAV is substantial in absolute terms or in relation to its peers.

Strategy Review

The Managers believe that share prices follow fundamental business progress and earnings growth over the long term. However, in recent years, performance has been poor despite, as already mentioned, the companies in the portfolio having grown their sales faster than the index.

In the fourth quarter of 2024, my fellow director Claire Finn and I undertook a series of meetings with shareholders representing more than 30% of the shareholder register. Whilst frustrated at the performance, the vast majority of the shareholders we spoke to understand the Company's investment style and process and remain supportive.

That said, following a thorough review at the strategy meeting in November 2024, the Board and the Managers have decided to appoint a deputy portfolio manager, to make a change to the Investment Policy and to introduce a number of measures to make the investment process more robust.

Appointment of Deputy Portfolio Manager

I am pleased to report that Brian Lum has been appointed as deputy portfolio manager. Brian joined Baillie Gifford in 2006 and is now head of Baillie Gifford's Smaller Companies Team. Brian graduated with an MSci and BA (Hons) in Physics from the University of Cambridge in 2006.

Looking ahead, the Managers expect to leverage the resource base in the International Smaller Companies team, which comprises six investors, to look at more Japanese smaller company ideas.

Increasing resources that cover the portfolio is one of several measures the Managers have implemented over the last year to make their investment process more robust. These are set out in the Managers' Report below.

Change to the Investment Policy

Shin Nippon's objective is to pursue long term capital growth through investment principally in small Japanese companies which are believed to have above average prospects for growth. Under the existing investment policy, a small company is considered to be one that typically has either market capitalisation or turnover of less than ¥150 billion at the time of initial investment, with the Company having used this fixed definition for over a decade.

Ten years ago, the ¥150 billion limit would have permitted investment in the vast majority of the MSCI Japan Small Cap index by size. Performance has been particularly challenging for the smaller small-cap stocks over the past decade with the larger small-cap companies within the index delivering stronger returns. The fixed size restriction now limits new investments arbitrarily to just the bottom 20% of the index by size, so the Company can only make new investments in the smallest of Japanese small-cap companies.

The Board and the Manager believe that moving from a fixed limit on market capitalisation for new investments to one that is dynamically linked to the index provides the Company with a broader opportunity set from which to pursue its investment objective, while ensuring alignment of what the Company deems a small Japanese company.

The Board has therefore made the following change to the Company's investment policy, which is set out in full in the Annual Report and Financial Statements:

- to remove the current restriction of less than ¥150bn market cap or sales at time of initial purchase; and
- to replace this with a restriction that, while the Company will invest primarily in companies that, at the time of initial investment, are constituents of the index, it would typically expect to invest in 'small' companies that have market

capitalisations at or below the average of the companies within the index.

The comparative index currently comprises over 800 stocks in total and of these, over 500 stocks are currently at or below the average market cap, and these stocks currently make up approximately 30% of the index by value.

This change is deemed to be "non-material" and not therefore subject to shareholder approval. Accordingly, the revised restriction was adopted by the Board on 2 April 2025.

Cancellation of Share Premium Account

The Company has built up a substantial share premium account owing to high levels of share issuance in the past. This reserve is non-distributable. A special resolution will be put to Shareholders at the AGM to cancel the amount standing to the credit of the Company's share premium account, following which an application will be made to the Scottish Court of Session to obtain its approval to the cancellation and the creation of an equivalent distributable reserve as explained in more detail in the Annual Report and Financial Statements. This will provide a significant pool of reserves which can be used in future to fund distributions including dividends, and any returns of capital, including any future tender offer and share buybacks.

Performance Triggered Tender Offer

Last year, the Board introduced a one-off performance triggered tender offer for up to 15% of the Company's issued share capital. This tender offer would be triggered if the Company's NAV total return per share, measuring debt at fair value, underperformed the total return of the MSCI Japan Small Cap Index (in sterling terms) over the three years to 31 January 2027. The tender would be at a price equal to a 2% discount to the cum income NAV per share (calculating debt at fair value) less costs. If the tender offer were to be triggered, it is expected to be implemented around the time of the Company's 2027 Annual General Meeting ('AGM') and subject to shareholder approval at that time.

Whilst there are still nearly two years remaining, the Company's performance is trailing the index over the performance period to date (being the 12 months to 31 January 2025 as reported above).

Borrowings

The Company's net gearing decreased over the course of the year from 18.1% to 16.1%.

During the year, the existing secured three year ¥5bn and seven year ¥2.1bn facilities with ING were refinanced on expiry with a three year ¥7.1bn secured revolving credit facility with Bank of America. Additionally, following the financial period end, the remaining ¥2bn and ¥7bn revolving credit facilities with ING were cancelled and incorporated into the cheaper secured revolving credit facility with Bank of America, which was extended to ¥16.1bn.

Dividend

Having been in deficit for a number of years, last year the Company's revenue reserve moved to a surplus, principally due to increased dividend payments from the portfolio's underlying holdings and a drop in the net asset value of the Company resulting in reduced investment management fees.

Revenue return per share was 0.67p compared to 0.94p the prior year. The Board is recommending a final dividend of 0.60p per share, being broadly the minimum required to maintain investment trust status. The proposed final dividend will be put before shareholders as part of the Company's Annual General Meeting ('AGM') business in May. I should add that, as the Company's focus is on capital growth, shareholders should not rely on their investment in the Company to provide any income.

Ongoing Charges Ratio

The Company's ongoing charges ratio was 0.80% compared to 0.72% last year, due largely to the assets decreasing and administrative expenses increasing.

Annual General Meeting

This year's AGM will take place on Tuesday 20 May 2025 at ICAEW, Chartered Accountants' Hall, 1 Moorgate Place, London EC2R 6EA commencing at 11.30 am. The AGM is an important tool for engagement and provides shareholders with the opportunity to meet and question in person those managing their assets as well as us the Directors, charged with acting in your best interests. I look forward to seeing as many of you there as possible.

Outlook

Looking ahead, a combination of investment decisions and operational changes by underlying companies have improved the profitability and cash flow of the portfolio. Furthermore, not only is the portfolio more mature from a cash flow perspective, but it also contains a large number of companies trading at a discount to their historic median valuation levels. The portfolio now has a lower weight than the benchmark in unprofitable companies and shows signs of stronger operational performance. The Board and the Manager believe that the portfolio is in a much stronger position for the next three years than it was at the end of 2021. Despite the much stronger potential earnings growth, the Company trades at a discount to the index whilst its shares, as mentioned, trade at a significant discount to NAV. This must surely leave the Company well placed when the market returns to seeing value in the smaller Japanese businesses that the Company invests in. Shin Nippon is now the only growth-focussed Japan small cap investment trust. I am grateful to shareholders for their continued patience during this difficult period and sincerely hope that this will be rewarded.

Jamie Skinner
2 April 2025

* After deducting borrowings at fair value. For a definition of terms see Glossary of terms and Alternative Performance Measures at the end of this announcement.

Source: LSEG/Baillie Gifford and relevant underlying index providers. See disclaimer at the end of this announcement.

Past performance is not a guide to future performance.

Managers' report

In a departure from our usual practice of starting the Manager's Report with an annual review, we would like to start by outlining our outlook for Japanese small caps and Shin Nippon. This is because we believe we might be at an inflexion point in terms of a turnaround in investor sentiment. As we noted in our Interim Report, there are definite signs of high growth small caps in Japan coming back in favour. Macro headwinds that have plagued this asset class over the past few years are now beginning to reverse. Portfolio holdings are making strong operational progress, and this is now gradually being acknowledged by the market. Global uncertainty wrought by the Trump administration in the US might perversely help sentiment improve towards the more domestic oriented small cap businesses in Japan that remain largely immune to geopolitics as far as their operations are concerned. We start from a position where the portfolio trades at a discount to its comparative benchmark, shares of Shin Nippon trade at a sizeable discount to their net asset value ('NAV'), and the underlying portfolio holdings are well placed to deliver strong earnings growth over the next few years. We know that it has been a painful and frustrating few years for patient and long standing shareholders. But we strongly believe that, as and when sentiment around high growth small caps in Japan turns favourable, Shin Nippon is in a strong position to deliver attractive long-term returns for shareholders.

Annual review

2024 was a year of two halves. High growth small caps in Japan remained out of favour during the first half of the year, with sentiment improving during the second half. This led to positive NAV performance of the portfolio in absolute terms in the latter period, but this was not enough to offset the weakness during the first half, leading to relative underperformance over the year. As noted in the Interim Report, we continue to see signs of macro headwinds turning into tailwinds. This process appears to be accelerating, and we are seeing a gradual rise in investor interest in high growth small caps in Japan.

Cyclical large cap and small cap value stocks remained the main driver of positive market performance. Interest rate-sensitive businesses like banks and insurers were among the strongest performers. Rising interest rates in Japan are improving profitability at these businesses. Artificial intelligence ('AI') remained a popular theme. In the absence of AI related software companies in Japan, large cap semiconductor equipment manufacturers were viewed by investors as the best alternative to play the AI theme. Consequently, share prices of such companies remained strong. Small cap value stocks also performed well. Pressure from the Tokyo Stock Exchange and private equity groups is forcing them to drastically improve shareholder returns. In many cases, they are being acquired by private equity groups at high premiums. Such businesses are attracting a lot of investor capital, much to the detriment of high-growth small caps that we typically invest in.

Geopolitics also emerged as a strong theme. The Trump administration has made it clear that traditional US allies can no longer count on unconditional US defence support. This has caused a great deal of worry for many allied countries, including Japan, which were historically dependent on the US. They are now allocating significant amounts of money to bolster their defence preparedness. Defence related stocks in Japan have rallied strongly and were among the top performers within our comparative index, the MSCI Japan Small Cap Index (MXJPSC Index). Most of these are large, traditional conglomerates with a patchy record of growth, and weak competitive edge. They are also structurally low return businesses with indebted balance sheets. Accordingly, Shin Nippon has no exposure to these stocks and has suffered in relative terms as they have outperformed significantly.

As noted earlier, we are seeing evidence of headwinds experienced in recent years turning into tailwinds. With interest rates rising in Japan, we are beginning to see the Japanese yen strengthen versus the US dollar on a sustained basis. Having suffered decades of deflation, Japan is finally experiencing inflation well above the Bank of Japan's 2% target. We believe there is a strong case for the central bank to continue raising interest rates in the near term, possibly resulting in continued yen strength. This should have positive implications for companies focussed on the domestic market as, historically, investors have tended to favour such stocks in a strong yen environment. Over 70% of Shin Nippon's holdings are domestically focussed businesses.

While inflationary pressures are broad based, they are being felt most acutely in the cost of utilities and wages. Capital and labour-intensive companies are struggling to cope, leading to a sharp rise in corporate bankruptcies. Most of Shin Nippon's holdings are capital and labour light businesses with a dominant market share in their respective areas. Holdings like online legal website Bengo4.com, online food ordering system provider Infomart, and power cable maker SWCC have raised prices multiple times over the past year, without any negative impact on end demand. In cases like SWCC, we are also seeing competitors exit the market, further strengthening its competitive position.

As noted in the interim report, Shin Nippon's fundamentals both in absolute terms and relative to the MXJPSC Index remain extremely attractive. If anything, over the course of the year, Shin Nippon's portfolio has become cheaper while the MXJPSC Index has been marginally re-rated to a higher multiple. Historic delivered growth and future expected growth are both far superior for Shin Nippon's portfolio compared to the MXJPSC Index. Over five years to 31 January 2025, the portfolio has delivered earnings growth of 7.5% p.a. compared to 1.1% p.a. for the MXJPSC Index. Based on market estimates, over the next three years it is expected to deliver earnings growth at 15.4% p.a. compared to 8.2% p.a. for the MXJPSC Index. On an EV/EBIT (Enterprise Value/ Earnings Before Interest and Tax) multiple basis, the portfolio currently has a rating of just 12 compared to 12.6 for the index. A year ago, the portfolio was trading on an EV/ EBIT multiple of 13.3 compared to 12.5 for the MXJPSC Index. In addition, over the past year, Shin Nippon's shares have traded at an average discount to their NAV of about 15%. In summary, relative to the MXJPSC Index, Shin Nippon has much higher historic and expected future earnings growth, trades at a discount to the MXJPSC Index, and its shares trade at a meaningfully high discount to NAV. We believe that this "double discount" represents an extremely compelling investment opportunity on a forward-looking basis and positions Shin Nippon favourably to deliver attractive returns to shareholders if sentiment towards high growth small caps in Japan continues to improve.

We have also made some changes to strengthen our research and portfolio construction process. As outlined in the Chairman's statement, Brian Lum, head of Baillie Gifford's Smaller Companies Team, has been appointed as deputy portfolio manager. We now have quarterly strategy meetings focussing on Japanese small caps involving not just the Japan team but also experienced members from our Smaller Companies and Global Discovery teams. We are engaging more closely with our Investment Risk team to identify portfolio specific risks and take appropriate actions. We are also broadening our stock idea generation process to include sectors like utilities, resources, and food services. We have historically struggled to identify attractive businesses in these areas but some of these sectors have undergone significant change. This may result in new growth opportunities for certain companies, and we want to ensure that these investment opportunities are duly considered. Finally, we have widened the coverage of Shin Nippon's holdings within the Baillie Gifford Japan Equity team. Each member of the team is now responsible for ongoing monitoring of a distinct set of small cap holdings, meaning that the entire portfolio now has a wider resource base covering it.

As explained in the Chairman's statement, we have also amended the Company's investment policy in order to better reflect the current nature of the MXJPSC Index, which has a significant skew towards large cap stocks. The fixed market cap limit of ¥150 billion for new investments has been replaced. Instead, Shin Nippon is now able to invest, at the point of initial investment, in companies that are typically at or below the average of the companies within the MXJPSC Index. We believe that this is a fairer representation of the investable universe. This gives us the opportunity of investing in exciting high growth small cap businesses which we have historically been unable to, due to the fixed market cap limit.

Performance

For the year ending 31 January 2025, Shin Nippon's NAV fell by 5.1% compared to an increase of 8.9% in the MXJPSC Index (all figures total return and in sterling terms, NAV with borrowings at fair value). Over three and five years, the NAV has fallen by 20.2% and 18.8% versus gains of 22.3% and 23.4% respectively for the MXJPSC Index. The Company repurchased 30.3m shares or 9.8% of issued share capital over the year.

Electric power cable and wire manufacturer SWCC Corp was the top positive contributor to portfolio performance. Under the leadership of its first ever female President, it is continuing to transform from a maker of commodity products to a high value-added component supplier. It has expanded its opportunity set by capturing demand in renewables and electric vehicles. Margins are continuing to improve, and valuations remain extremely low, so we believe there is considerable upside remaining in the shares. Japan's only pure-play online life insurer Lifenet was another strong performer. It is continuing to gain share from traditional incumbents who have large sales staff and are suffering from rising wage bills and falling sales efficiency. As a pure online operator, Lifenet does not face any of these issues. Its sales growth recently accelerated, thanks to partnerships with major enterprises like telecom services provider KDDI and credit card company Sumitomo Mitsui Card.

Leading global badminton brand Yonex also performed well. Despite worries about a slowing economy and cautious consumer sentiment in China, Yonex's sales in China are continuing to grow rapidly. The company is also making good progress with extending its brand into tennis where it continues to gain share from incumbents. Software maker Cybozu was another strong performer. It makes cloud-based software that require no programming by the end user, is easy to customise, and is primarily used for group-based tasks like project management. It has the largest market share in this category in Japan and recently raised prices significantly, leading to a sharp spike in its operating margins. Harmonic Drive, which makes precision reduction gears, a critical component used in robots, also had strong share price performance. This was due to market optimism about its strong global position in humanoid robots, a small but rapidly growing sub-segment of the robotics market.

Litalico was the largest negative contributor to portfolio performance. It is Japan's leading provider of training and employment services for disabled adults, and day care services for children with developmental disabilities. It has suffered in the short-term due to changes in regulation that have resulted in lower sales. But management remains confident of a strong rebound having repositioned the business to make up for lost revenue. Online payments company GMO Financial Gate was another weak performer. It has experienced minor delays in some large projects, resulting in poor near-term sales growth and the market took this very negatively. Construction software company SpiderPlus also performed poorly despite making good operational progress. Following recent regulatory changes that place significant restrictions on overtime in the construction industry, it is seeing strong demand for its software products that help automate a range of tasks for construction projects. It is continuing to grow sales at over 30% p.a., and after years of making losses due to aggressive growth investments, management finally expect the business to turn profitable for the next fiscal year and expect profitability to continue improving rapidly thereafter.

We also faced significant valuation downgrades to JEPLAN and Spiber, two of our unlisted holdings. JEPLAN has developed a low-cost, scalable, and environmentally friendly chemical process to recycle plastics and fabrics. Its clients include Suntory, Nestle Japan, Asahi Breweries and Coca Cola Japan. The company has been investing aggressively to expand capacity but has found it extremely tough to raise capital. Its current rate of monthly cash burn and net cash on the balance sheet mean that there is a real danger of the company running out of cash in a few months. Management is currently engaged in raising capital, but its weak financial position necessitated a downgrade in our valuation.

Spiber is a synthetic biology company that has developed a range of artificial fibres identical to natural fibres. Two of its largest shareholders are seeking to sell their entire holding in the company. As per the shareholder's agreement signed between Spiber and these two entities, the company is obliged to buy back these shares but currently has insufficient funds to do so. Although management is in the process of raising funds, this predicament has resulted in a large reduction to the valuation of the company.

In contrast, Gojo, one of our other unlisted holdings that has majority stakes in a range of affordable finance related businesses in emerging markets, is making good progress towards achieving an IPO this year. The company is continuing to grow sales at a fast pace and some of its investee companies like Satya Capital in India and Humo in Central Asia, have already achieved a dominant share of their respective local markets.

Portfolio

Given the poor performance over the past few years, we have undertaken an in-depth review of all our holdings and have subsequently made several changes to best position the portfolio for future success. For the year ending 31 January 2025, we purchased six new holdings and sold eleven. This means that turnover for this period was much higher than usual at 21.4%. Active share of the portfolio remains extremely high at 96.6%, implying just a 3.4% overlap with the MXJPSC Index.

Among the new buys was Inforich, a provider of portable batteries for charging mobile phones. It has managed to scale quickly across Japan and is now the leading provider of portable charging stations. It has secured exclusive contracts at prime locations like major convenience store chains, train stations, and even Tokyo Disneyland, and is growing its sales and profits rapidly. Global Security Experts, a cybersecurity company, was another new purchase. Japanese companies, in general, have historically under-invested in securing their IT infrastructure, a fact borne out by a series of recent high profile cyber-attacks on small and large companies. As a result, capital investment in cybersecurity solutions is rising and proving to be a strong tailwind for Global Security Experts.

We also took new holdings in Genda and Gift Holdings. Genda is an entertainment company that is using M&A to aggressively consolidate Japan's fragmented amusement sector. It targets cash generative and profitable businesses, run by ageing founders and where they can derive considerable synergies with other businesses within their group. Management has deep domain expertise and has shown excellent discipline in the price paid for acquisitions. Genda has grown rapidly and is now among the largest companies in its sector despite being founded only a few years ago. Gift holdings is one of Japan's largest ramen restaurants. It has a unique model whereby it operates its own stores but also supplies raw materials to a network of franchisees. It has a simple and transparent pricing structure that lowers the barrier for franchisees to join, allowing the company to expand rapidly while keeping cost low and generating high margins.

Two of our holdings, premium camping equipment maker Snow Peak and staffing company Outsourcing, were acquired by private equity. Snow Peak had been struggling with falling sales and inventory issues in China whereas Outsourcing has had a series of accounting scandals in recent years. Management of both companies felt ill-equipped to resolve these issues and hence sought help from private equity.

We sold our longstanding holding in M3, Japan's leading online drug marketing company. It has been owned in the portfolio for almost 20 years and has been a fantastic performer over this period, both in operational and share price terms. However, the business has also become very diversified, complex and growth has slowed markedly. We also sold online cosmetics retailer Kitanotatsujin. It has struggled to acquire new clients as the market has become more competitive. Management is having to significantly increase advertising spend, squeezing margins in the process.

We also sold plastic auto parts maker DaikyoNishikawa that has continued to struggle with falling sales and shrinking margins, mirroring the fortunes of its largest customer Mazda Motor. Gaming company Akatsuki has struggled to launch any new hit mobile games for many years despite significant investments in game development. In addition, management has expanded into new and unrelated areas like digital comics and venture capital. Given the increasingly competitive environment in mobile gaming and management's apparent lack of focus, we decided to sell. Staffing company WDB was also sold from the portfolio. It supplies labour to the R&D divisions at pharma and medical device companies. It already has a large share of its target market and has struggled to expand beyond this niche over the years. We think the future growth prospects for this company are now modest at best and hence decided to exit the position.

Concluding remarks

The past few years have been particularly challenging for Shin Nippon as our holdings have faced a perfect storm of macro headwinds and investor apathy. However, there are tentative signs of these headwinds turning into tailwinds. Shin Nippon's portfolio trades at a discount to its comparative index but should achieve faster growth. As the market and investors start acknowledging these fundamental attractions, we should see a turnaround in performance. For our part, we remain focussed on our fundamental task of identifying and investing in fast growing, dynamic, smaller companies in Japan that can deliver attractive long-term returns for shareholders.

Praveen Kumar

For a definition of terms see Glossary of terms and Alternative Performance Measures at the end of this announcement.

Baillie Gifford - valuing private companies

We hold our private company investments at an estimation of 'fair value', i.e. the price that would be paid in an open-market transaction. Valuations are adjusted both during regular valuation cycles and on an ad hoc basis in response to 'trigger events'. Our valuation process ensures that private companies are valued in both a fair and timely manner.

The valuation process is overseen by a valuations group at Baillie Gifford, which takes advice from an independent third party (S&P Global). The valuations group is independent from the investment team, as well as Baillie Gifford's Private Companies Specialist team, with all voting members being from different operational areas of the firm, and the investment managers only receive final valuation notifications once they have been applied.

We revalue the private holdings on a three-month rolling cycle, with one-third of the holdings reassessed each month. During stable market conditions, and assuming all else is equal, each investment would be valued four times in a twelve month period. Regarding the Trust's private portfolio, the prices are also reviewed twice per year by the respective boards and are subject to the scrutiny of external auditors in the annual audit process.

Beyond the regular cycle, the valuations group also monitors the portfolio for certain `trigger events'. These may include changes in fundamentals, a takeover approach, an intention to carry out an Initial Public Offering (`IPO'), company news which is identified by the valuation team or by the portfolio managers, or meaningful changes to the valuation of comparable public companies. Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published net asset value (`NAV'). There is no delay.

The valuations team also monitors relevant market indices on a weekly basis and updates valuations in a manner consistent with our external valuer's (S&P Global) most recent valuation report where appropriate.

The valuation movements in the year have been summarised below, pricing in the continued challenging market backdrop, coupled with some underperformance within the private portfolio.

	Average movement in company valuation	Average movement in share price
Shin Nippon*	-41.2%	-46.7%

* Data reflecting period 1 February 2024 - 31 January 2025 to align with Company's reporting period end.

Review of investments

A review of the Company's ten largest investments together with a list of the new acquisitions in the year.

Top ten holdings

Katitas

Katitas is a specialist real-estate developer that buys and renovates old, abandoned homes before selling it on to mainly first-time buyers. The problem of empty houses in Japan is reaching acute levels, resulting in a hollowing out of entire communities. There are an estimated 8 million old or abandoned houses across Japan, most of them vacant. A lot of these are ancestral homes which families, despite living elsewhere, are reluctant to sell. For authorities looking to regenerate local economies, the only option is to demolish these properties and build new establishments, often for business purposes. The families are generally reluctant to give up these properties for sentimental reasons. Katitas offers an alternate and attractive option for these families by offering to acquire these houses and the associated land for a reasonable price, renovate these to a high standard before selling them. In the process, Katitas also ends up playing a part in rejuvenating local communities. Because these houses are scattered all across Japan, sourcing potential properties is quite difficult. Over the years, Katitas has developed a strong network of local contacts across Japan that ensures a steady supply of properties they could buy. The company generates very attractive margins despite selling these properties at a meaningful discount to new builds. Finally, second-hand home ownership in Japan is exceptionally low compared to other developed markets although this is changing and should provide a long-term tailwind for Katitas.

Valuation	£14,465,000
% of total assets*	3.1%
Valuation at 31 January 2024	£8,072,000
% of total assets at 31 January 2024	1.5%
Net purchases/(sales) in year to 31 January 2025	£4,622,000
Held since	2017

Lifenet Insurance

Lifenet is a fast-growing online life insurer. It offers a limited range of easy to understand life insurance products sold predominantly through its own website. Its directto-consumer model enables it to price competitively, resulting in a potentially enduring competitive edge. Incumbents are large, slow moving and traditional insurers which lack technological prowess and employ a labour intensive sales model. This is allowing Lifenet to gain market share on a consistent basis.

Valuation	£14,347,000
% of total assets*	3.0%
Valuation at 31 January 2024	£12,017,000
% of total assets at 31 January 2024	2.2%
Net purchases/(sales) in year to 31 January 2025	(£3,380,000)
Held since	2012

Megachips

Megachips is a fabless semiconductor chip design company. The company is a significant supplier of chips for Nintendo's gaming consoles and has been enjoying strong growth thanks to the ongoing success of Nintendo's latest console, Switch. It also has a fast growing US-listed subsidiary called SiTime that is emerging as a global leader in advanced and energy efficient timing devices for electronic devices.

Valuation	£13,318,000
% of total assets*	2.8%
Valuation at 31 January 2024	£13,289,000
% of total assets at 31 January 2024	2.4%
Net purchases/(sales) in year to 31 January 2025	(£1,314,000)
Held since	2015

Nifco

Nifco designs and manufactures plastic parts for vehicles. The use of plastic is increasing as auto makers look to reduce the weight of their models to improve fuel efficiency. Nifco outsources the majority of its production which allows it to generate high levels of profitability. In the long run the company should be able to grow its earnings as it expands its customer base to US and European auto makers. In addition, the financial performance of the company should benefit meaningfully from its new-found emphasis on RoIC (Return on Invested Capital).

Valuation	£12,886,000
% of total assets*	2.7%
Valuation at 31 January 2024	£10,387,000
% of total assets at 31 January 2024	1.9%
Net purchases/(sales) in year to 31 January 2025	£3,173,000
Held since	2009

SWCC

SWCC Showa is an electric wire/cable manufacturer. Its traditional business relates to the manufacture and supply of low and high voltage cables for private and public electric power utilities. It is in the process of moving away from its low growth and low margin legacy business, of supplying cables, to becoming a component supplier. It has developed a set of unique, lightweight and high margin connector components, branded as SICONEX, that are driving strong profit growth. The market continues to rate the company as an undifferentiated supplier of commoditised products, ignoring the radical changes occurring within the business, and as such the shares remain very lowly rated.

Valuation	£12,625,000
% of total assets*	2.7%
Valuation at 31 January 2024	£6,756,000
% of total assets at 31 January 2024	1.2%
Net purchases/(sales) in year to 31 January 2025	(£2,639,000)
Held since	2023

JEOL

JEOL is a specialist manufacturer of high-powered microscopes and other scientific analysis equipment. In addition, through its partnership with IMS (an Austrian company), JEOL participates in manufacturing multi-beam mask writers for the semiconductor industry, which has proved to be a highly successful business. Over the past few years, JEOL has increased its semiconductor industry, which has proved to be a highly successful business. Over the past few years, JEOL has increased its margins in both microscope and mask-writing businesses, driven by new product launches and strong demand. The company should be able to grow revenues strongly, and defend its margins through the cycle, thanks to its ongoing technological developments and product innovation.

Valuation	£12,617,000
% of total assets*	2.7%
Valuation at 31 January 2024	£10,589,000
% of total assets at 31 January 2024	1.9%
Net purchases/(sales) in year to 31 January 2025	£4,193,000
Held since	2013

GA Technologies

GA Technologies provides online B2B ('business-to-business') services for the real estate sector. It has developed a suite of artificial intelligence based software applications that allows clients to manage numerous tasks like remote viewing, rental property management, end-to-end processing of mortgages and automated generation of building floor plans, to name a few. It is run by its ambitious and young founder who owns a large stake, thereby ensuring strong alignment with minority shareholders.

Valuation	£12,372,000
% of total assets*	2.6%
Valuation at 31 January 2024	£11,586,000
% of total assets at 31 January 2024	2.1%
Net purchases/(sales) in year to 31 January 2025	£762,000
Held since	2020

Yonex

Yonex is the leading badminton racket brand in the world. Badminton is growing as a participation sport across Asia and many of the top players use Yonex equipment. The company is now leveraging its strong brand to expand into the global tennis market where it has already demonstrated impressive market share gains, especially in the US which is the world's largest tennis market. In addition, management have move to a direct sales model which should support higher margins in the long run.

Valuation	£11,906,000
% of total assets*	2.5%
Valuation at 31 January 2024	£6,913,000
% of total assets at 31 January 2024	1.3%
Net purchases/(sales) in year to 31 January 2025	£508,000
Held since	2015

Appier Group

Founded in 2012, Appier products use AI to help clients acquire data on and understand customer behaviour and automate a range of related business processes. There are significant opportunities for it to add new clients and cross-sell its products to existing clients. A major competitive advantage is that the company's clients achieve fantastic returns from Appier's products, which in turn improve over time. Furthermore, pricing is closely aligned with clients' success. After multiple engagements with the company, we have been impressed by the ambition of the founders and the management team, the effectiveness of the products and the company's operational performance.

Valuation	£11,679,000
% of total assets*	2.5%
Valuation at 31 January 2024	£8,128,000
% of total assets at 31 January 2024	1.5%
Net purchases/(sales) in year to 31 January 2025	£4,172,000
Held since	2023

Raksul Inc

Raksul is an online platform providing cloud-based printing and advertising services for SMEs. The printing industry in Japan is very sizeable albeit mature, and is quite traditional. It is also very inefficient in that a small number of printing companies get a large chunk of customer orders leaving smaller and mid-sized players with very low capacity utilisation. Online penetration also remains very low compared to other developed markets. Through its online platform, Raksul is attempting to modernise this industry by using its platform to efficiently allocate orders thereby improving utilisation rates across the sector. Through its advertising business, Raksul sells SAAS software that provides low-cost and measurable advertising for SMEs. The company is growing its sales very rapidly and has built sufficient scale to improve its profitability as well. Management are young and dynamic, with most having both an overseas and a consulting background.

Valuation	£11,479,000
% of total assets*	2.4%
Valuation at 31 January 2024	£8,843,000
% of total assets at 31 January 2024	1.6%
Net purchases/(sales) in year to 31 January 2025	£1,342,000
Held since	2018

New buys

Anicom

Anicom Holdings is Japan's leading pet insurer. It has a dominant competitive position in an expanding market with high barriers to entry. It uses data to reinforce its competitive edge, invests for the long term at the expense of short-term profits, and is run by its founder who maintains a near 10% stake in the business. More recently, the market has consolidated with the exit of a major foreign player, AXA. Rather than competing with Anicom, AXA has instead decided to form a joint venture with the firm; it will now act as Anicom's distribution partner, thereby further cementing Anicom's position as the dominant player. Management is also focusing on reducing costs and improving shareholder returns which should all bode well for the company's long-term growth and return prospects.

Valuation	£7,395,000
% of total assets*	1.6%

Genda

Genda ("Global Entertainment Network for Dreams and Aspiration") is a recent IPO. It operates as a holding company that is rapidly consolidating Japan's fragmented entertainment/ amusement market. It was founded in 2018 by Hideki Yoshimura, a 42-year-old serial "internet" entrepreneur, Nao Kataoka, Chairman of the Board and an industry veteran who previously ran Aeon's listed entertainment business, Aeon Fantasy, for three decades, and Mai Shin, the current President, who spent over a decade as an investment banker at Goldman Sachs. Japan's entertainment/ amusement sector is very fragmented and mature. Within this and as part of its M&A roll-up growth strategy, Genda acquires businesses that are run by an ageing founder, businesses that are consistently cash flow positive, and where it can drive synergies with other businesses within its group that span the entire value chain of the entertainment/ amusement business. In its short history, the company has already built a strong track record of successfully integrating and, more importantly, growing the acquired businesses. Genda is the only player in the sector that is employing this form of aggressive debt-funded M&A strategy. It has a very strong balance sheet which gives it significant fire-power to continue with this strategy. In addition, the three founders together own just under 60% of the company, thereby ensuring strong alignment.

Valuation	£659,000
% of total assets*	0.1%

Gift

Gift holdings is one of Japan's largest ramen restaurants. It has a unique model whereby it operates its own stores but also supplies raw materials to a network of franchisees with a very simple charging structure. This significantly lowers the barrier for franchisees to join Gift Holdings' ecosystem thereby enabling the company to expand rapidly at very low cost and high margin. The company is run by its young and dynamic founder who trained as a ramen chef for several years before starting the company without any external money. Ramen is a staple food item in Japan and it is one of the few categories that has grown over the past decade despite demographic headwinds.

Valuation	£10,334,000
% of total assets*	2.2%

Global Security Experts

Global Security Experts (GSE) is an SME focused cybersecurity consulting firm. It provides complete end-to-end cybersecurity solutions for SMEs in Japan and is a leading player in this area as far as SMEs are concerned. It advises SMEs on how to identify vulnerabilities in their IT systems, suggests appropriate measures that they can take to plug the identified vulnerabilities, provides training on cybersecurity related matters, and also carries out implementation and post-implementation support work for cybersecurity tools and packages that are ultimately installed by the SME client based on GSE's recommendation. Japan's low IT preparedness for cybersecurity is a well-known and well-documented fact and this problem is greatly amplified at the SME level where knowledge of cybersecurity and ways of dealing with related threats tends to be minimal. The overall market for SME cybersecurity has been growing at high single digits but this is expected to increase meaningfully in the long-term with rising awareness of cyber attacks and the damage they can cause to SMEs. By focusing solely on SMEs and by pricing its services at extremely affordable price points which lower the barrier to adoption, GSE is very well positioned to benefit from the trend of rising SME spend on cybersecurity in Japan.

Valuation	£5,273,000
% of total assets*	1.1%

Inforich

Inforich specialises in mobile device charging solutions, boasting over 40,000 ChargeSPOT stations throughout Japan, strategically placed in high-traffic venues such as convenience stores and train stations, ensuring exclusivity and competitive advantage. The company's charging service is experiencing robust growth and exceptional marginal profits. Dominating the Japanese market, Inforich surpasses its closest competitor by over tenfold. It leverages its network for additional revenue streams, including advertising and facilitating sharing economy ventures, earning commissions. With significant operations and brand recognition in Hong Kong and several ASEAN countries, Inforich is aggressively pursuing international expansion.

Valuation	£9,831,000
% of total assets*	2.1%

Soracom

Soracom is a global Internet of Things (IoT) Mobile Virtual Network Operator (MVNO) founded in 2014 by three ex-AWS engineers who currently serve as its CEO, COO and CTO. It enables companies to turn their "dumb" devices and equipment into IoT devices. It sells a range of hardware devices that enable IoT functionality in non-IoT devices. Once plugged in, devices automatically connect to Soracom Cloud, an in-house built IoT software stack running on AWS. Devices can then "talk" to each other and be remotely controlled, configured and monitored. Customers also get the ability to design and build customise applications using a suite of "drag and drop functions" provided by Soracom. Connectivity is provided through cellular networks, WiFi, Ethernet, and satellite networks. Soracom has longstanding network sharing agreements with over 300 carriers globally, making its services network agnostic, global and thereby providing a seamless service especially to clients with global operations.

Valuation	£2,185,000
% of total assets*	0.5%

* For a definition of terms see Glossary of terms and Alternative Performance Measures at the end of this announcement.

Baillie Gifford's stewardship principles

Baillie Gifford's overarching ethos is that we are 'Actual' investors. That means we seek to invest for the long term. Our role as an engaged owner is core to our mission to be effective stewards for our clients. As an active manager, we invest in companies at different stages of their evolution across many industries and geographies, and focus on their unique circumstances and opportunities. Our approach favours a small number of simple principles rather than overly prescriptive policies. This helps shape our interactions with holdings and ensures our investment teams have the freedom and retain the responsibility to act in clients' best interests.

Long-term value creation

We believe that companies that are run for the long term are more likely to be better investments over our clients' time horizons. We encourage our holdings to be ambitious, focusing on long-term value creation and capital deployment for growth. We know events will not always run according to plan. In these instances we expect management to act deliberately and to provide appropriate transparency. We think helping management to resist short-term demands from shareholders often protects returns. We regard it as our responsibility to encourage holdings away from destructive financial engineering towards activities that create genuine value over the long run. Our value will often be in supporting management when others don't.

Alignment in vision and practice

Alignment is at the heart of our stewardship approach. We seek the fair and equitable treatment of all shareholders alongside the interests of management. While assessing alignment with management often comes down to intangible factors and an understanding built over time, we look for clear evidence of alignment in everything from capital allocation decisions in moments of stress to the details of executive remuneration plans and committed share ownership. We expect companies to deepen alignment with us, rather than weaken it, where the opportunity presents itself.

Governance fit for purpose

Corporate governance is a combination of structures and behaviours; a careful balance between systems, processes and people. Good governance is the essential foundation for long-term company success. We firmly believe that there is no single governance model that delivers the best long-term outcomes. We therefore strive to push back against one-dimensional global governance principles in favour of a deep understanding of each company we invest in. We look, very simply, for structures, people and processes which we think can maximise the likelihood of long-term success. We expect to trust the boards and management teams of the companies we select, but demand accountability if that trust is broken.

Sustainable business practices

A company's ability to grow and generate value for our clients relies on a network of interdependencies between the company and the economy, society and environment in which it operates. We expect holdings to consider how their actions impact and rely on these relationships. We believe long-term success depends on maintaining a social licence to operate and look for holdings to work within the spirit and not just the letter of the laws and regulations that govern them. Material factors should be addressed at the board level as appropriate.

Environmental, social and governance engagement

By engaging with companies, we seek to build constructive relationships with them, to better inform our investment activities and, where necessary, effect change within our holdings, ultimately with the goal of achieving better returns for our shareholders. The issues we consider in our assessment of ESG factors are varied but may include governance arrangements, human rights, labour rights, diversity and inclusion, climate change, nature and biodiversity, respect for legal and regulatory guidelines and consideration of stakeholder perspectives.

KH Neochem - Discussing operational changes to improve safety and resilience.

% of total assets*	0.6%

Objective: Understand the drivers of the operational difficulties in recent years with the CFO.

Discussions: We discussed the different measures that KH Neochem has put in place to improve the safety and resilience of its operations. These include the introduction of a new predictive maintenance system, digitalising more of its daily inspections, and a policy of building up more inventory ahead of shutdowns (which happen once every two years).

On its supply chain, KH Neochem is insourcing the production of certain raw materials to improve the reliability of supply (this hurt the company in 2023 as some suppliers had ageing production facilities).

Outcome: It was helpful to learn about KH Neochem's steps to monitor safety performance and build resilience in its manufacturing. As these actions are relatively recent, we will continue to monitor their implementation and effectiveness.

SWCC Corp - Understanding governance evolution as a positive case study.

% of total assets*	2.7%

Objective: To understand SWCC's board evolution and approach to governance in conversation with an independent director of the company.

Background: SWCC Corp's governance structure has evolved since 2015, aligning with Japan's changing corporate governance Code. The appointment of external directors with relevant experience signalled a shift towards a more considered board composition. This move facilitated the promotion of Hasegawa-san as CEO, who has been instrumental in SWCC's efficiency and growth since her appointment.

Discussion: The director's insights revealed a board deeply involved in steering the company towards efficiency improvements and a focus on Return on Invested Capital (ROIC). The narrative of SWCC's governance journey is one of timely decisions that have enhanced its market position. The board's evolution, particularly the separation of the CEO and President roles, aims to have enhanced its market position. The board's evolution, particularly the separation of the CEO and President roles, aims to refine strategic oversight and long-term planning further. A cultural shift towards meritocracy underpins these changes, emphasising talent recognition and promotion from within.

The discussion also covered incentives, which highlighted a considered approach to aligning executive compensation with shareholder interests. This suggests an openness to evolving these practices considering broader governance principles.

We provided feedback on how further changes, such as increasing the proportion of long-term variable and stock-based compensation, would provide greater alignment with shareholders and longer time horizons.

Outcome: The dialogue with SWCC Corp provided valuable insights into the mechanisms driving its governance success, particularly the role of external directors in championing strategic and cultural shifts. The meeting underscored the importance of external directors in fostering corporate governance reforms and cultural transformation, positioning SWCC as a case study in effective board composition and strategic oversight. We will continue to monitor changes at SWCC and hope to draw lessons from their evolution over time.

Toyo Tanso - Discussion about board composition, emissions reduction, and capital allocation.

% of total assets*	1.3%

Purpose: To discuss the company's sustainability initiatives, capital allocation strategies, and general business updates with the Chairman, and chief executive officer (CEO). The key topics covered were board composition and emissions reduction efforts.

Discussion: The meeting discussed Toyo Tanso's board size reduction. Over the past five years, the board decreased from eight to give members by reducing the number of internal directors. this most recent change has increased board independence from 50% in 2023 to 60% in 2024. Given Toyo Tanso's ex-Japan revenue exposure, the conversation also covered international business expertise on the board. It believes that two directors on the board currently bring international experience but that the board was open to building further expertise in this area as it continues to evolve its board composition. The company was keen to share its progress in reducing its emissions. It has done so by switching to more efficient technologies and procuring more renewable energy. It aims for a 30 per cent reduction in emissions intensity by 2030, although challenges remain in some hard-to-abate areas of its business, such as their carbon baking furnaces.It has also completed a human rights due diligence exercise, starting with its parent company and looking to expand it to group and supply chain companies, focusing on building competence domestically before expanding into more complex and risky tiers of its supply chain.Lastly, we shared our voting decision on the dividend policy last year. We abstained on the dividend pay-out of approximately 30 per cent as it did not meet our expectations of 40 per cent given the company's cash position. Management took this on board and shared that they are reviewing their pay-out policies.

Outcome: While the current board composition is evolving, Toyo Tanso is open to changes and receptive to external input. In terms of capital allocation, the company acknowledges that its payout ratio did not meet expectations, but its ongoing review and focus on reinvesting cash are positive.

Cell Source - Meeting with new management to discuss reflections and future plans.

% of total assets	0.3%

Objective: To understand the operational challenges over the past two years with the CEO and CFO and the plan for the new CEO to turn the company around.

Discussion: We started by discussing their diagnosis of what went wrong strategically and the Company's plan to reverse course. The fundamental challenge for the company is to find an effective avenue to market its services despite the huge market opportunity and the advantages over traditional treatments (which are established).

We also discussed the key planks of the new management's strategy to focus on the most engaged partners, initiatives to launch seminars to drive patient demand, and self-help initiatives to improve the business's efficiency. The founder remains involved with the business but has ceded responsibilities to the experienced new CEO.

Action: The new management team promised a more detailed long-term plan next year when the early results of various new initiatives can be assessed. In the meantime, the company's balance sheet is strong and we will continue to monitor progress.

Proxy voting - 'active ownership' in action

CellSource

% of total assets*	0.3%
Meeting	2024 Annual General Meeting
Vote	Against

Reason: We opposed the plan to issue share acquisition rights (SARs) to outside partners because we believe that this has the potential to create conflicts of interest. Ahead of the annual general meeting, we contacted the company for more information on the rationale for the request and who could participate in the plan. The company explained that grants were for key potential partners which include physicians and medical institutions, who in turn have significant market share in CellSource's target markets. They consider this a strategic move to help them expand their customer base. Unfortunately, the additional information did not alleviate our concerns regarding a potential conflict of interest arising, and we therefore opposed the plan.

Nikkiso

% of total assets*	1.0%
Meeting	2024 Annual General Meeting
Vote	Abstain

Reason: We abstained on the re-election of the board chair as there was no vote on the dividend and we have concerns with the dividend payment level. Following the 2023 annual general meeting and ahead of the 2024 meeting we engaged with the company regarding their dividend policy. We shared our view that the company is in a position to return more capital to shareholders. The company targets a dividend payout ratio of 35 per cent and has not expressed any intention to increase this. Therefore, this year we took the decision to escalate our engagement on this topic by abstaining on the re-election of the board chair. We also encouraged them to give shareholders the opportunity to vote on the dividend as we believe it is an important part of facilitating dialogue between the company and its stakeholders.

Horiba

% of total assets*	1.4%
Meeting	2024 Annual General Meeting
Vote	Against

Reason: We opposed the election of the board chairman because we continue to think the dividend payment is too low. This is the third year we have taken voting action, having abstained on the election of the board chair in 2022 and having escalated to voting against the chairman in 2023 and 2024. Following the shareholder meeting we contacted the company to explain our decision and to encourage a higher dividend in future as we believe the company is in the financial position to return more capital to shareholders. Our action against the chairman is because there is no specific vote on the dividend which we also encouraged the company to introduce.

* For a definition of terms see Glossary of terms and Alternative Performance Measures at the end of this announcement.

Proxy voting

We believe that 'active ownership' of our clients' holdings is as important as selecting the right investments in the first instance. These guidelines are aligned with our stewardship principles and describe our approach to proxy voting and company engagement, the key levers of active ownership, often described as 'stewardship'.

While these guidelines are intended to provide an insight into how we approach voting on our clients' behalf, it is important to note that we assess every company individually. In voting, we will always evaluate proposals on a case-by-case basis, based on what we believe to be in the best long-term interests of our clients, rather than rigidly applying a policy.

A broad cross section of our investment staff are involved in our ongoing work on stewardship. In the same way that our investment approach is based around empowered and independent teams, our voting and engagement is led by the individual investment teams. In keeping with our decentralised and autonomous culture, our investment teams will, on occasion, elect to vote differently on the same general meeting resolutions. Where this happens, we report accordingly in the proxy voting disclosure on our website. We also have clear processes in place to identify, prevent and manage potential proxy voting related conflicts of interest to ensure that in all cases the firm acts in the clients' best interest. Baillie Gifford's firm-wide conflict of interest disclosure is available on our website.

Prior to taking any voting action, we usually address specific ESG concerns by engaging directly with the company, using voting as an escalation mechanism if we have not seen sufficient progress. Voting activity and the reasons for any resolutions voted against in the period is disclosed on the Company website and can be viewed at **shinnippon.co.uk**.

List of investments as at 31 January 2025

Name	Business	2025 Value £'000	% of total assets #	Absolute† performance %	2024 Value £'000
Katitas	Real estate services	14,465	3.1	17.1	8,072
Lifenet Insurance	Online life insurance	14,347	3.0	49.4	12,017
Megachips	Electronic components	13,318	2.8	21.1	13,289
Nifco	Value-added plastic car parts	12,886	2.7	(5.3)	10,387
SWCC	Electric wire and cable manufacturer	12,625	2.7	145.7	6,756
JEOL	Manufacturer of scientific equipment	12,617	2.7	(16.9)	10,589
GA Technologies	Interactive media and services	12,372	2.6	3.6	11,586
Yonex	Sporting goods	11,906	2.5	69.4	6,913
Appier Group	Software as a service company providing AI platforms	11,679	2.5	(10.6)	8,128
Raksul	Internet based services	11,479	2.4	13.9	8,843
Anest Iwata	Manufactures compressors and painting machines	11,060	2.3	3.3	10,924
Harmonic Drive Systems	Robotic components	11,033	2.3	22.5*	-
Infomart	Internet platform for restaurant supplies	10,886	2.3	(21.0)*	-
Avex Group	Entertainment management and distribution	10,379	2.2	1.6	6,916
Noritsu Koki	Holding company with interests in biotech and agricultural products	10,360	2.2	51.4	8,183
Gift	Food industry operator and distributor	10,334	2.2	16.8	-
Tsugami	Manufacturer of automated machine tools	10,224	2.2	38.9	6,357
Nakanishi	Dental equipment	9,947	2.1	4.6	9,721
Peptidream	Drug discovery and development platform	9,907	2.1	59.7	5,069
Inforich	Software Company	9,831	2.1	4.7*	-
Top 20		**231,655**	**49.0**		
Cybozu	Develops and markets internet and intranet application software for businesses	9,389	2.0	20.5	7,470
Cosmos Pharmaceuticals	Drugstore chain	8,755	1.8	(10.8)	12,231
Vector	PR Company	8,367	1.8	(13.7)	6,073
Kohoku Kogyo	Manufacturer of undersea cable lead terminals	7,917	1.7	55.3	5,429
Sho-Bond	Infrastructure reconstruction	7,560	1.6	(24.2)	12,017

Name	Business	2025 Value £'000	% of total assets #	Absolute performance † %	2024 Value £'000
Shoei	Manufactures motor cycle helmets	7,463	1.6	8.2	9,917
Anicom	Pet insurance provider	7,395	1.6	11.8*	-
Bengo4.com	Online legal consultation	7,220	1.5	(32.6)	9,371
GMO Financial Gate	Face-to-face payment terminals and processing services	7,140	1.5	(37.9)	13,482
Nittoku	Coil winding machine manufacturer	7,119	1.5	11.1	6,364
I-Ne	Hair care range	6,991	1.5	(16.3)	7,290
Horiba	Manufacturer of measuring instruments	6,889	1.4	(18.9)	11,742
Optex	Infrared detection devices	6,622	1.4	(11.7)	9,190
Istyle	Beauty product review website	6,598	1.4	21.4	3,928
Toyo Tanso	Electronics company	6,165	1.3	(20.6)	12,219
Seria	Discount retailer	6,136	1.3	(2.6)	5,712
Gojo & Company Inc Ord	Diversified financial services	6,050	1.3	(11.1)	6,807
Oisix	Organic food website	5,987	1.3	2.5	4,375
Technopro	IT staffing	5,912	1.2	(9.8)	9,094
Global Security Experts	Cyber Security Company	5,273	1.1	(1.1)*	-
Kitz	Industrial valve manufacturer	5,044	1.1	(2.8)	7,127
Kamakura Shinsho	Information processing company	4,829	1.0	(19.2)	5,732
Nikkiso	Industrial pumps and medical equipment	4,716	1.0	(6.9)	6,958
eGuarantee	Guarantees trade receivables	4,683	1.0	(11.3)	8,053
Asahi Intecc	Specialist medical equipment	4,501	0.9	(9.7)	10,658
SpiderPlus	Construction project management platform	4,263	0.9	(45.1)	6,811
Litalico	Provides employment support and learning support services for people with disabilities	4,211	0.9	(50.4)	13,272
OSG	Manufactures machine tool equipment	4,148	0.9	(15.1)	9,168
MatsukiyoCocokara	Retail company	4,082	0.9	(15.9)	9,887
oRo	Develops and provides enterprise planning software	3,799	0.8	(17.2)	4,667
Crowdworks	Crowd sourcing services	3,597	0.8	(4.9)	4,054
Kumiai Chemical	Specialised agrochemicals manufacturer	3,385	0.7	(10.1)	7,638
GMO Payment Gateway	Online payment processing	3,351	0.7	(10.5)	4,674
Weathernews	Weather information services	3,057	0.6	30.7	4,155
KH Neochem	Chemical manufacturer	3,011	0.6	(8.5)	5,800
Inter Action	Semiconductor equipment	2,636	0.5	(2.2)	4,210
Jade Group	Ecommerce services provider	2,202	0.5	(33.4)	3,633
Soracom	Networking software provider	2,185	0.5	34.8*	-
Torex Semiconductor	Semiconductor company	2,147	0.4	(33.4)	6,380
MonotaRO	Online business supplies	1,824	0.4	85.5	3,304
Cellsource	Company engaged in regenerative medicine	1,621	0.3	(33.9)	2,026
Iriso Electronics	Specialist auto connectors	1,555	0.3	(24.6)	5,962
Moneytree K.K. Class B Preferred	AI based fintech platform	1,272	0.3	(9.2)	1,401
Nippon Ceramic	Electronic component manufacturer	1,181	0.2	(8.9)	4,852
Spiber	Textiles	1,030	0.2	(83.3)	6,172
JEPLAN	Chemical PET recycling	834	0.2	(84.5)	5,372
Genda	Operates as a holding company for entertainment businesses	659	0.1	11.1*	-
Shima Seiki	Machine industry company	342	0.1	(33.4)	3,498
SIIX	Out-sources overseas production	258	0.1	(27.2)	8,340
Demae-Can	Online meal delivery service	179	<0.1	(45.5)	4,722
Total investments		**453,211**	**95.7**		
Net liquid assets#		20,155	4.3		
Total assets#		**473,366**	**100**		
Bank loans		(83,676)	(17.7)		
Shareholders' funds		**389,690**	**82.3**		

† Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 February 2024 to 31 January 2025.

Source: Baillie Gifford/Revolution and relevant underlying index data providers. See disclaimer at the end of this announcement .

* Figures relate to part period returns where the investment has been purchased in the period.

Private company (unlisted) investment.

See Glossary of terms and Alternative Performance Measures at the end of this announcement.

	Listed equities %	Private company investments * %	Net liquid assets † %	Total assets † %
31 January 2025	93.8	1.9	4.3	100.0
31 January 2024	95.5	3.7	0.8	100.0

* Includes holdings in ordinary shares and preference shares.

† See Glossary of terms and Alternative Performance Measures at the end of this announcement.

Income statement

For the year ended 31 January

	Notes	2025 Revenue £'000	2025 Capital £'000	2025 Total £'000	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000
Losses on investments		-	(34,865)	(34,865)	-	(97,913)	(97,913)
Currency gains		-	2,415	2,415	-	13,058	13,058
Income	2	7,389	-	7,389	8,870	-	8,870
Investment management fee	3	(2,482)	-	(2,482)	(2,878)	-	(2,878)
Other administrative expenses		(714)	-	(714)	(628)	-	(628)
Net return before finance costs and taxation		**4,193**	**(32,450)**	**(28,257)**	**5,364**	**(84,855)**	**(79,491)**
Finance costs of borrowings	4	(1,465)	_	(1,465)	(1,533)	-	(1,533)
Net return before taxation		**2,728**	**(32,450)**	**(29,722)**	**3,831**	**(84,855)**	**(81,024)**
Tax on ordinary activities		(739)	_	(739)	(887)	-	(887)
Net return after taxation		**1,989**	**(32,450)**	**(30,461)**	**2,944**	**(84,855)**	**(81,911)**
Net return per ordinary share	6	**0.67p**	**(10.97p)**	**(10.30p)**	**0.94p**	**(27.13p)**	**(26.19p)**
Note: Dividends per share payable and paid in respect of the year	5	0.60p			0.80p		

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital return columns are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in this statement derive from continuing operations.

A Statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above statement.

The accompanying notes below are an integral part of the Financial Statements.

Balance sheet

As at 31 January

	Notes	2025 £'000	2025 £'000	2024 £'000	2024 £'000
Fixed assets					
Investments held at fair value through profit or loss	7		453,211		539,701
Current assets					
Debtors		1,989		3,521	
Cash at bank		20,797		2,965	
		22,786		6,486	
Creditors					
Amounts falling due within one year	8	(86,307)		(88,395)	
Net current liabilities			(63,521)		(81,909)
Net assets			**389,690**		**457,792**
Capital and reserves					
Share capital	9		6,285		6,285
Share premium account			260,270		260,270
Capital redemption reserve			21,521		21,521
Capital reserve			99,445		167,114
Revenue reserve			2,169		2,602
Shareholders' funds			**389,690**		**457,792**
Net asset value per ordinary share*			**139.4p**		**147.8p**

The Financial Statements of Baillie Gifford Shin Nippon PLC (Company Registration Number SC093345) below were approved and authorised for issue by the Board and were signed on its behalf on 2 April 2025.

Jamie Skinner
Chair

* See Glossary of terms and Alternative Performance Measures at the end of this announcement.

The accompanying notes below are an integral part of the Financial Statements.

Statement of changes in equity

For the year ended 31 January 2025

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 February 2024		6,285	260,270	21,521	167,114	2,602	**457,792**
Ordinary shares bought back into treasury	9	-	-	-	(35,219)	-	**(35,219)**
Net return on ordinary activities after taxation	6	-	-	-	(32,450)	1,989	**(30,461)**
Dividend paid in the period	5	-	-	-	-	(2,422)	**(2,422)**
Shareholders' funds at 31 January 2025		**6,285**	**260,270**	**21,521**	**99,445**	**2,169**	**389,690**

For the year ended 31 January 2024

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 February 2023		6,285	260,270	21,521	257,719	(342)	**545,453**
Ordinary shares bought back into treasury	9	-	-	-	(5,750)	-	**(5,750)**
Net return on ordinary activities after taxation	6	-	-	-	(84,855)	2,944	**(81,911)**
Shareholders' funds at 31 January 2024		**6,285**	**260,270**	**21,521**	**167,114**	**2,602**	**457,792**

The accompanying notes below are an integral part of the Financial Statements.

Cash flow statement

For the year ended 31 January

	Notes	2025 £'000	2025 £'000	2024 £'000	2024 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation		(29,722)		(81,024)	
Net losses on investments		34,865		97,913	
Currency gains		(2,415)		(13,058)	
Finance costs of borrowings		1,465		1,533	
Overseas withholding tax		(805)		(922)	
Decrease in debtors, accrued income and prepaid expenses		638		351	
(Decrease)/increase in creditors		(402)		150	
Cash inflow from operations			3,624		4,943
Interest paid			(1,460)		(1,462)
Net cash inflow from operating activities			**2,164**		**3,481**
Cash flows from investing activities					
Acquisitions of investments		(112,102)		(91,610)	
Disposals of investments		165,814		78,423	
Net cash inflow/(outflow) from investing activities			**53,712**		**(13,187)**
Ordinary shares bought back into treasury and stamp duty thereon	9	(35,219)		(5,750)	
Bank loans repaid		(35,907)		12,313	
Bank loans drawn down		35,907		-	
Net cash (outflow)/inflow from financing activities			**(35,219)**		**6,563**
Dividends paid	5		**(2,422)**		**-**
Increase/(decrease) in cash and cash equivalents			**18,235**		**(3,143)**
Exchange movements			(403)		(838)
Cash and cash equivalents at 1 February			2,965		6,946
Cash and cash equivalents at 31 January*			**20,797**		**2,965**

* Cash and cash equivalents represent cash at bank and deposits repayable on demand.

The accompanying notes below are an integral part of the Financial Statements.

Notes to the Financial Statements

1. Principal accounting policies

The Financial Statements for the year to 31 January 2025 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

2. Income

	2025 £'000	2024 £'000
Income from investments		
Listed overseas dividends	7,387	8,866
Other income		
Deposit interest	2	4
Total income	**7,389**	**8,870**
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	7,387	8,866
Interest from financial assets not at fair value through profit or loss	2	4
Total income	**7,389**	**8,870**

3. Investment management fee - all charged to revenue

	2025 £'000	2024 £'000
Investment management fee	**2,482**	**2,878**

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretaries. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting have been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited.

The Investment Management Agreement sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Management Agreement is terminable on not less than six months' notice. Compensation fees would only be payable in respect of the notice period if termination were to occur sooner. The annual management fee is 0.75% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remainder. The fees are calculated and paid on a quarterly basis.

4. The bank loan interest disclosed includes £9,000 paid (2024 - £23,000) in respect of yen deposits held at the custodian bank.

5. Ordinary dividends

	2025 p	2024 p	2025 £'000	2024 £'000
Amounts recognised as distributions in the year:				
Previous year's final dividend (paid 30 May 2024)	0.80p	-	2,422	-

We set out below the total dividends proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. There is a revenue surplus for the year to 31 January 2025 of £1,989,000 which is available for distribution by way of a dividend payment (year to 2024 - a revenue surplus of £2,944,000).

	2025 p	2024 p	2025 £'000	2024 £'000
Amounts paid and payable in respect of the financial year:				
Proposed final dividend per ordinary share (payable 29 May 2025)	0.60p	-	1,677	-

If approved, the recommended final dividend will be paid on 29 May 2025 to shareholders on the register at the close of business on 22 April 2025. The ex-dividend date is 17 April 2025.

6. Net return per ordinary share

	2025 Revenue	2025 Capital	2025 Total	2024 Revenue	2024 Capital	2024 Total
Net loss on ordinary activities after taxation	0.67p	(10.97p)	(10.30p)	0.94p	(27.13p)	(26.19p)

Revenue return per ordinary share is based on the net revenue gain on ordinary activities after taxation of £1,989,000 (2024 - gain of £2,944,000) and on 295,693,208 ordinary shares (2024 - 312,785,827) being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on the net capital loss for the financial year of £32,450,000 (2024 - net capital loss of £84,855,000) and on 295,693,208 ordinary shares (2024 - 312,785,827) being the weighted average number of ordinary shares in issue during the year.

There are no dilutive or potentially dilutive shares in issue.

7. Fixed assets - investments

As at 31 January 2025	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Quoted equities	444,025	-	-	**444,025**
Unlisted securities	-	-	9,186	**9,186**
Total financial asset investments	**444,025**	**-**	**9,186**	**453,211**

As at 31 January 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Quoted equities	519,949	-	-	**519,949**
Unlisted securities	-	-	19,752	**19,752**
Total financial asset investments	**519,949**	**-**	**19,752**	**539,701**

Investments in securities are financial assets designated at fair value through profit or loss. In accordance with Financial Reporting Standard 102, the tables provide an analysis of these investments based on the fair value hierarchy described below, which reflects the reliability and significance of the information used to measure their fair value.

Fair value hierarchy

The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through the profit or loss account are measured is described below. Fair value measurements are categorised on the basis of the lowest level input that is significant to the fair value measurement.

Level 1 - using unadjusted quoted prices for identical instruments in an active market;

Level 2 - using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 - using inputs that are unobservable (for which market data is unavailable).

The valuation techniques used by the Company are explained in the accounting policies below.

Unlisted securities are categorised as Level 3. None of the financial liabilities are designated at fair value through profit or loss in the Financial Statements.

8. Included in creditors is £611,000 (2024 - £704,000) in respect of the investment management fee.

The creditors above are stated at amortised cost which is a reasonable approximation to fair value.

Amortisation of the loan arrangement fees during the year was £19,000 (2024 - £45,000).

Borrowing facilities

At 31 January 2025

ING Bank N.V. - 3 year ¥2,000 million revolving credit facility maturing 3 March 2026. The rollover date is 10 March 2025.

ING Bank N.V. - 3 year ¥7,000 million revolving credit facility maturing 23 November 2026. The rollover date is 26 February 2025.

Bank of America - 3 year ¥7,100 million revolving credit facility maturing 7 November 2027. The rollover date is 10 March 2025.

At 31 January 2024

ING Bank N.V. - 3 year ¥7,000 million loan at 1.400% maturing 23 November 2026.

ING Bank N.V. - 3 year ¥5,000 million loan at 1.400% maturing 8 November 2024.

ING Bank N.V. - 7 year ¥2,100 million loan at 1.693% maturing 18 December 2024.

The covenants during the year relating to the ING Bank N.V. loans were as follows:

(i) Total borrowings shall not exceed 35% of the Company's net asset value; and

(ii) The Company's minimum net asset value shall be £225 million.

There were no breaches in loan covenants during the year.

Security has been provided to ING Bank N.V. and Bank of America in respect of the loans by way of floating charges.

The interest rate, maturity profiles and fair value of the bank loans are shown in note 18 of the Annual Report and Financial Statements.

During the year, the existing secured three-year ¥5bn and seven-year ¥2.1bn fixed rate facilities with ING Bank N.V. (`ING) were refinanced on expiry with Bank of America, N.A. London Branch ('Bank of America'). Additionally, following the financial period end, the remaining ¥2bn and ¥7bn revolving credit facilities with ING were cancelled and incorporated into the cheaper secured revolving credit facility with Bank of America (extended to ¥16.1bn).

9. At 31 January 2025 the Company had remaining authority to buy back 25,074,156 shares. 30,266,184 shares were bought back during the year for total consideration of £35,219,000 (2024 - 4,395,000 shares for a total consideration of £5,750,000). Share buy-backs are funded from the capital reserve.

During the year the Company issued no shares on a non pre-emptive basis (2024 - no shares).

Between 1 February and 31 March 2025 the Company did not issue any shares and bought back 9,100,000 shares.

10. Analysis of change in net debt

	31 January 2024 £'000	Cash flows £'000	Exchange movement £'000	Other non-cash changes £'000	31 January 2025 £'000
Cash and cash equivalents	2,965	18,235	(403)	-	**20,797**
Loans due within one year*	(86,475)	-	2,818	(19)	**(83,676)**
	(83,510)	**18,235**	**2,415**	**(19)**	**(62,879)**

* Cash flows include a loan drawdown from the Bank of America facility of £35,907,000 which repaid the ING ¥5,000 million and ¥2,100 million loans on 8 November and 18 December 2024 respectively.

11. The Annual Report and Financial Statements will be available on the Company's **website shinnippon.co.uk**† on or around 14 April 2025.

12. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 January 2025 or 2024 but is derived from those accounts. Statutory accounts for 2024 have been delivered to the Registrar of Companies, and those for 2025 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

† Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

Glossary of terms and Alternative Performance Measures ('APM')

An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The APMs noted below are commonly used measures within the investment trust industry and serve to improve comparability between investment trusts.

Total assets

This is the Company's definition of Adjusted Total Assets, being the total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

Net Asset Value

Also described as shareholders' funds, Net Asset Value ('NAV') is the value of total assets less liabilities (including borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue.

Net Asset Value (borrowings at book value)

Borrowings are valued at adjusted net issue proceeds. The Company's yen denominated loans are valued at their sterling equivalent and adjusted for their arrangement fees. The value of the borrowings on this basis is set out in note 11 on page 107 of the Annual Report and Financial Statements.

Net Asset Value (borrowings at fair value) (APM)

This is a widely reported measure across the investment trust industry. Borrowings are valued at an estimate of their market worth. The Company's yen denominated fixed rate loans are fair valued using methodologies consistent with International Private Equity and Venture Capital Valuation ('IPEV') guidelines. The value of the borrowings on this basis is set out above. A reconciliation from NAV (with borrowings at book value) to NAV per ordinary share (with borrowings at fair value) is provided below.

	31 January 2025	31 January 2024
NAV per ordinary share (borrowings at book value)	139.4p	147.8p
Shareholders' funds (borrowings at book value)	£389,690,000	£457,792,000
Add: book value of borrowings	£83,676,000	£86,475,000
Less: fair value of borrowings	(£83,676,000)	(£86,445,000)
NAV (borrowings at fair value)	**£389,690,000**	**£457,822,000**
Shares in issue at year end	**279,491,301**	**309,757,485**
NAV per ordinary share (borrowings at fair value)	**139.4p**	**147.8p**

Premium/discount (APM)

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the NAV per share from the share price and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

	2025 NAV (book)	2025 NAV (fair)	2024 NAV (book)	2024 NAV (fair)
Closing NAV per share	139.4p	139.4p	147.8p	147.8p
Closing share price	119.0p	119.0p	126.2p	126.2p
Discount	**(14.6%)**	**(14.6%)**	**(14.6%)**	**(14.6%)**

The average discount/premium (APM) as disclosed above is calculated by taking an average of the daily discount/premium percentage using NAV (with borrowings at fair value) for the year to 31 January 2025.

Ongoing charges (APM)

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average NAV (with borrowings at fair value). The ongoing charges have been calculated on the basis prescribed by the Association of Investment Companies.

A reconciliation from the expenses detailed in the Income statement above is provided below:

		31 January 2025 £'000	31 January 2024 £'000
Investment management fee		£2,482,000	£2,878,000
Other administrative expenses		£714,000	£628,000
Total expenses	**(a)**	**£3,196,000**	**£3,506,000**
Average daily cum-income NAV (with borrowings at fair value)	**(b)**	£401,677,000	£485,043,000
Ongoing charges	**(a) as a percentage of (b)**	0.80%	0.72%

Total return (APM)

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

		2025 NAV (book)	2025 Share price	2024 NAV (book)	2024 Share price
Closing NAV per share/share price	**(a)**	139.4	119.0	147.8	126.2
Dividend adjustment factor*	**(b)**	1.0059	1.0076	1.0000	1.0000
Adjusted closing NAV per share/share price	**(c = a x b)**	140.2	119.9	147.8	126.2
Opening NAV per share/share price	**(d)**	147.8	126.2	173.7	158.8
Total return	**(c ÷ d)-1**	**(5.1%)**	**(5.0%)**	**(14.9%)**	**(20.5%)**

* The dividend adjustment factor is calculated on the assumption that the dividend of 0.80p (2024 - n/a) paid by the Company during the year was reinvested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

Gearing (APM)

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gearing represents borrowings at book less cash and cash equivalents expressed as a percentage of shareholders' funds.

Gross gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

		31 January 2025		31 January 2024	
		Gearing * £'000	Gross gearing † £'000	Gearing * £'000	Gross gearing † £'000
Borrowings	**(a)**	83,676	83,676	86,475	86,475
Cash and cash equivalents	**(b)**	20,797	-	3,596	-
Shareholders' funds	**(c)**	389,690	389,690	457,792	457,792
		16.1%	**21.5%**	**18.1%**	**18.9%**

* Gearing: ((a) - (b)) ÷ (c), expressed as a percentage.

† Gross gearing: (a) ÷ (c), expressed as a percentage.

Leverage

For the purposes of the Alternative Investment Fund Managers (AIFM) Regulations, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its NAV and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Active share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the quoted equity portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

Net liquid assets

Net liquid assets comprise current assets less current liabilities, excluding borrowings.

Share split

A share split (or stock split) is the process by which a company divides its existing shares into multiple shares. Although the number of shares outstanding increases, the total value of the shares remains the same with respect to the pre-split value.

Treasury shares

The Company has the authority to make market purchases of its ordinary shares for retention as treasury shares for future reissue, resale, transfer, or for cancellation. Treasury shares do not receive distributions and the Company is not entitled to exercise the voting rights attaching to them.

Private (unlisted) company

A private (unlisted) company means a company whose shares are not available to the general public for trading and not quoted on a stock exchange.

Turnover

Turnover is calculated as the minimum of purchases and sales in a month, divided by the average market value of the portfolio, summed to get rolling 12 month turnover data.

Third party data provider disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom.

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Automatic Exchange of Information

In order to fulfil its obligations under UK tax legislation relating to the automatic exchange of information, Baillie Gifford Shin Nippon PLC is required to collect and report certain information about certain shareholders.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, Baillie Gifford Shin Nippon PLC must provide information annually to the local tax authority on the tax residencies of a number of non UK based certificated shareholders and corporate entities.

Shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information - information for account holders **gov.uk/government/publications/exchange-of-information-account-holders**.

Sustainable Finance Disclosure Regulation ('SFDR')

The EU Sustainable Finance Disclosure Regulation ('SFDR') does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As Shin Nippon is marketed in the EU by the AIFM, BG & Co Limited, via the National Private Placement Regime ('NPPR') the following disclosures have been provided to comply with the high-level requirements of SFDR.

The AIFM has adopted Baillie Gifford & Co's stewardship principles and guidelines as its policy on integration of sustainability risks in investment decisions.

Baillie Gifford & Co believes that a company cannot be financially sustainable in the long run if its approach to business is fundamentally out of line with changing societal expectations. It defines 'sustainability' as a deliberately broad concept which encapsulates a company's purpose, values, business model, culture, and operating practices.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build up an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. The likely impact on the return of the portfolio from a potential or actual material decline in the value of investment due to the occurrence of an environmental, social or governance event or condition will vary and will depend on several factors including but not limited to the type, extent, complexity and duration of an event or condition, prevailing market conditions and existence of any mitigating factors.

Whilst consideration is given to sustainability matters, there are no restrictions on the investment universe of the Company, unless otherwise stated within in its investment objective & policy. Baillie Gifford & Co can invest in any companies it believes could create beneficial long-term returns for investors. However, this might result in investments being made in companies that ultimately cause a negative outcome for the environment or society.

More detail on the Manager's approach to sustainability can be found in the stewardship principles and guidelines document, available publicly on the Baillie Gifford website **bailliegifford**.

The underlying investments do not take into account the EU criteria for environmentally sustainable economic activities established under the EU Taxonomy Regulation.

END

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