

Japan Small Companies Quarterly Update

31 March 2024



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**Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000 bailliegifford.com**

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Historical performance results for investment indexes and/or categories, generally do not reflect the deduction of transaction costs and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that recommendations/ transactions made in the future will be profitable or will equal performance of the securities mentioned.

Potential for Profit and Loss

All investment strategies have the potential for profit and loss.

Stock Examples

Any stock examples, or images, used in this paper are not intended to represent recommendations to buy or sell, neither is it implied that they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by us. Any individual examples will represent only a small part of the overall portfolio and are inserted purely to help illustrate our investment style. A full list of portfolio holdings is available on request.

The commentary relates to the above mentioned strategy and not all stocks mentioned may be held in the portfolio.

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Product Overview

Japanese Smaller Companies is a regional equity strategy that aims to produce above average long-term performance through investment in Japanese equities with a market cap of between Y50-150bn in any economic sector. We believe the Japanese equity market offers active managers a broad selection of high quality companies capable of delivering attractive and sustainable earnings growth for shareholders.

Risk Analysis

Key Statistics

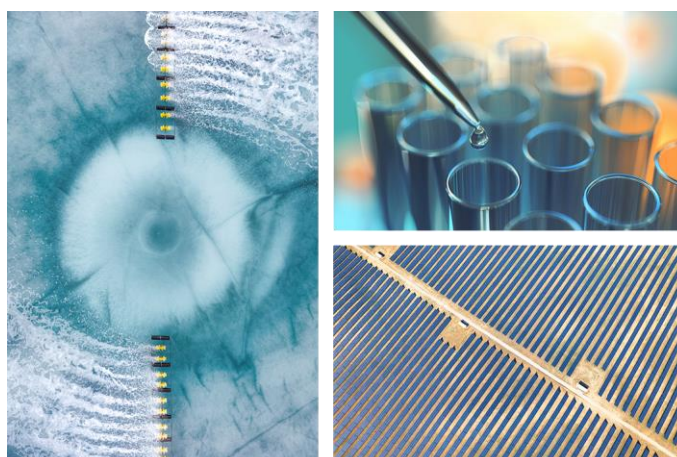
Number of Holdings	72
Typical Number of Holdings	40-80
Active Share	96%*
Annual Turnover	16%

*Relative to MSCI Japan Small Cap Index. Source: Baillie Gifford & Co, MSCI.

Japan is beginning to present a more vibrant opportunity for overseas investors

Underlying portfolio characteristics are positive and disconnected from share prices

Mispriced growth presents a once-in-a generation opportunity



Baillie Gifford Key Facts

Assets under management and advice	US\$290.9bn
Number of clients	655
Number of employees	1817
Number of investment professionals	393

Market environment

Symbolic moments have abounded in Japan so far this year. The Nikkei 225 equity index has reached new highs, having at last surpassed the peak set at the top of the asset price bubble in 1989. It has been a long road back. Over half the world's population wasn't born the last time the Nikkei traded at this level.

The decades of deflation that followed the bursting of the bubble could also soon be consigned to history. The Bank of Japan ended negative interest rates for the first time in 17 years in the quarter, signalling confidence that a healthy level of background inflation is taking hold. On their own, these signs aren't necessarily conclusive, but together, they point towards a more vibrant Japanese economy and help to create the right environment for a growing population of enterprising, ambitious companies.

It will be puzzling and a little frustrating to our clients that this improving domestic picture has not so far translated into strong returns from the Japanese equities portfolio. Surely these changes bode well for Japanese growth investors?

We agree. At the end of 2021, our strategy was well ahead of the MSCI Japan Small Cap index by 4 per cent p.a. since its inception. We've said this before, but it bears repeating. Roll forward just two years, and we've given much of that relative performance back.

Two major dynamics have hurt returns, as we outline below. We think both will pass, but we appreciate that holding through them has been both uncomfortable and unrewarding. As we come through this difficult spell, we believe that the returns for persevering will be substantial. This letter sets out our case.

First, we must rake over the coals of recent history. Share prices derated significantly in 2022 in Japan, part of a global phenomenon as the post-Covid era saw a snap away from the highly rated and rapidly growing businesses that had performed so well in previous years. Businesses with most of their value rooted in the potential profitability of their operations several years down the line were devalued substantially. The portfolio fared poorly in this environment. We hold businesses precisely for their long-term prospects, and for these to be devalued so indiscriminately was challenging.

In 2023, we saw a recovery in share prices as global enthusiasm returned to Japanese stock

markets. A weakening yen buoyed exporters, and the focus on corporate reforms caught the attention of investors who hadn't looked seriously at Japan for years. The portfolio returns started to improve in 2023 but still lagged the wider market. Although these trends have continued into 2024, the gap is indeed closing. Much of the return flowed to the most liquid index constituents and into lowly rated stocks, i.e. those that trade below book value, which account for roughly half of the market. We have always had a high bar for inclusion in the portfolio, so initiatives aimed at raising minimal standards had little impact on the portfolio.

Given these developments, it is unsurprising that Japanese small caps as an asset class remain completely out of favour, in particular the pool of growth names in which we invest. These headwinds have suppressed the returns for the portfolio, but these are temporary rather than structural issues.

Headwinds to tailwinds

There's already evidence to suggest that the headwinds we've faced are beginning to turn back in the portfolio's favour. There is more clarity on the interest rate and inflation picture globally as well as in Japan. That's helpful for growing businesses. Following a changeable operating environment, the companies in the portfolio are getting back to growth. There's agreement from the financial community on this point. Consensus estimates put predicted portfolio revenue and earnings growth for the next three years well ahead of the market. We would gladly share 5-year estimates (our own investment time horizon), but strikingly, few financial analysts even consider forecasts that far out. Perhaps that's partially explained by the 60 per cent average annual turnover in the industry for Japanese equities portfolios. Five-year considerations are of little importance if you typically hold a stock for under 2 years.

We can't predict when inflexion points will happen in stock markets, but we can back the companies that are putting themselves in the best positions to deliver long-term growth. That's why we own companies that benefit from secular growth trends like Artificial Intelligence (AI), automation and semiconductors. We expect and want our holdings to invest in their opportunities. The portfolio is doing just that by allocating to Research and Development (R&D) at a much higher rate than the average Japanese business, helped

by the ambitious leadership of the entrepreneurial founders and families we invest beside. There's little valuation premium being assigned to this just now, but we expect that we'll look back on this as an unusual and potentially very rewarding moment.

Dedication to process

Our research framework sits at the core of our investment process. It keeps us focussed on the long-term opportunities. It is an important tool for assessing new ideas for the portfolio. It is just as important a lens for viewing the existing portfolio through. We use it to navigate through the ups and downs of share price moves. Only by holding through these spells (our average holding period is seven years) can we capture the returns that great growth businesses eventually deliver.

Toyo Tanso, the largest position in the portfolio, makes speciality carbon products and has a leading global share in isotropic graphite used in renewable energy equipment and semiconductor manufacturing. Due to its excellent heat resistance and durability, Toyo Tanso's isotropic graphite is a key consumable part of the heaters and crucibles used in the manufacturing process of monocrystal silicon, which is the raw material for solar-cell devices and semiconductors. Both markets are expected to see strong growth in the coming years, thanks to the proliferation of devices that are using an increasing number of chips in them as well as the emphasis on increasing the use of renewable energy. The products have a high margin, and given the favourable industry backdrop, we believe this has the potential to transform the company's margin and returns profile. We're already seeing signs of progress as recent results showed strong revenue and profit growth, which boosted the share price by more than 70% year-to-date.

Lifenet, another large position in the portfolio, is also performing well. Lifenet is Japan's only pure-play listed online life insurer. It offers plain-vanilla and easy-to-understand life insurance products and sells predominantly through its own website. It has pioneered a direct-to-consumer model that allows it to price competitively and attract a sizeable part of the Japanese population that is relatively young and digitally savvy. Incumbent peers tend to operate a traditional, labour-intensive model and are hence burdened with an ill-fitting cost base. Lifenet's customer focus is backed by skills and expertise in systems development and as such, we see it as a mix between an insurer and an internet-

services business. We think this combination is attractive. Indeed, third-party businesses in Japan are increasingly keen to team up with them. The regulatory environment in Japan makes it difficult for new entrants to write business on their own books, which increases the barriers to entry. We think Lifenet is an ambitious and nimble business that is attacking a huge and sleepy industry. Most recently, it announced that it would be providing Dementia Insurance that supports early detection and treatment, which is further evidence of its innovative approach.

While backing these unconventional businesses has not always been easy, we think that perseverance, underwritten by a strong understanding of the long-run opportunity, will pay off for the portfolio.

Competition for capital

Our research framework focuses on opportunity, resilience, Environmental, Social and Governance (ESG), and valuation. When a company can no longer meet the high bar we set, then it becomes a candidate for funding other new ideas from our pipeline. This constant process of re-evaluation has resulted in us selling Open Door, the price comparison site for travel, as it has been very weak as both domestic and international travel in Japan remains in limbo following COVID-19, and we have no visibility as to when this will get back to normal. In the long term, we think the area of online travel agents and aggregators is likely to become more competitive as barriers to entry are weak, and there are already a couple of international players making inroads in Japan.

We have also sold Outsourcing, the human resource service provider and Snow Peak, the camping equipment brand, having both rerated following their announcement to go private through a management buyout, illustrative of a broader trend that we saw in Japan last year. The proceeds have been recycled into two new purchases of Inforich and Soracom.

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. The potential for growth, both domestically and abroad, coupled with rapidly increasing sales and profits, suggests the company's market valuation does not fully capture its prospects.

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. 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. Sales are growing rapidly as the company is expanding across a

range of end markets globally, and it is already profitable, with margins expected to continue rising from here, given the very high marginal profitability of the business.

Conclusion

As the backdrop for growth investors in Japan starts to improve, we're positive about the outlook for companies in the portfolio. While we haven't kept up with recent market enthusiasm for Japanese stocks, our holdings are delivering strong operational progress and are pursuing genuine growth opportunities that will outlast the ups and downs of investor sentiment.

This progress, exemplified by the likes of Toyo Tanso and Lifenet, will eventually dominate the returns we seek for the portfolio. We know the past few years have been difficult. Our investment process is designed to find and own the best growth companies that Japan has to offer, and we're excited by the opportunity to own these businesses at close to market valuations. It feels like we're entering a new chapter in Japan, and we hope our clients will join us on this journey.

Performance Objective

2%+ p.a. over 5 years vs index.

The performance objective is aspirational and is not guaranteed. We don't use it to compile the portfolio and returns will vary. A single performance objective may not be appropriate across all vehicles and jurisdictions. We may not meet our investment objectives if, for example, our growth investment style is out of favour, or we misjudge the long-term earnings growth of our holdings.

Periodic Performance

GBP	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-4.2	6.2	-10.4
1 Year	-14.2	12.4	-26.6
3 Years	-15.1	3.0	-18.1
5 Years	-5.2	5.0	-10.2
10 Years	7.2	9.5	-2.3
Since Inception	4.7	3.4	1.3
USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-5.1	5.2	-10.3
1 Year	-12.4	14.8	-27.2
3 Years	-17.6	0.0	-17.6
5 Years	-5.8	4.3	-10.1
10 Years	4.2	6.5	-2.3
Since Inception	4.0	2.7	1.3
EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-2.9	7.6	-10.5
1 Year	-11.9	15.5	-27.4
3 Years	-15.2	2.9	-18.1
5 Years	-5.0	5.1	-10.2
10 Years	6.8	9.1	-2.3
Since Inception	4.2	2.9	1.3
CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-2.6	8.0	-10.6
1 Year	-12.4	14.8	-27.2
3 Years	-15.5	2.5	-18.1
5 Years	-5.5	4.6	-10.1
10 Years	6.4	8.7	-2.3
Since Inception	4.5	3.2	1.3
AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	-0.8	10.0	-10.8
1 Year	-10.1	17.9	-28.0
3 Years	-13.2	5.3	-18.5
5 Years	-4.2	6.1	-10.3
10 Years	7.9	10.3	-2.3
Since Inception	4.6	3.3	1.3

Annualised periods ended 31 March 2024. 3 Month & 1 Year figures are not annualised.

Inception date: 31 December 1989

Figures may not sum due to rounding.

Benchmark is MSCI Japan Small Cap Index (Market cap weighted composite index of TOPIX 2nd Section, TOPIX Small & Jasdac prior to 30 April 2010).

Source: Revolution, MSCI, Tokyo Stock Exchange.

The Japan Small Cap composite is more concentrated than the MSCI Japan Small Cap Index.

Discrete Performance

GBP	31/03/19- 31/03/20	31/03/20- 31/03/21	31/03/21- 31/03/22	31/03/22- 31/03/23	31/03/23- 31/03/24
Composite Net (%)	-14.9	47.3	-25.3	-4.5	-14.2
Benchmark (%)	-6.2	24.4	-7.7	5.4	12.4
USD	31/03/19- 31/03/20	31/03/20- 31/03/21	31/03/21- 31/03/22	31/03/22- 31/03/23	31/03/23- 31/03/24
Composite Net (%)	-19.1	63.9	-28.8	-10.3	-12.4
Benchmark (%)	-10.8	38.4	-11.9	-1.0	14.8
EUR	31/03/19- 31/03/20	31/03/20- 31/03/21	31/03/21- 31/03/22	31/03/22- 31/03/23	31/03/23- 31/03/24
Composite Net (%)	-17.2	53.0	-24.7	-8.2	-11.9
Benchmark (%)	-8.7	29.2	-7.0	1.4	15.5
CAD	31/03/19- 31/03/20	31/03/20- 31/03/21	31/03/21- 31/03/22	31/03/22- 31/03/23	31/03/23- 31/03/24
Composite Net (%)	-13.8	44.7	-29.2	-2.9	-12.4
Benchmark (%)	-4.9	22.2	-12.5	7.3	14.8
AUD	31/03/19- 31/03/20	31/03/20- 31/03/21	31/03/21- 31/03/22	31/03/22- 31/03/23	31/03/23- 31/03/24
Composite Net (%)	-6.1	31.7	-27.7	0.5	-10.1
Benchmark (%)	3.6	11.2	-10.7	11.0	17.9

Benchmark is MSCI Japan Small Cap Index (Market cap weighted composite index of TOPIX 2nd Section, TOPIX Small & Jasdac prior to 30 April 2010).

Source: Revolution, MSCI, Tokyo Stock Exchange.

The Japan Small Cap composite is more concentrated than the MSCI Japan Small Cap Index.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 March 2024

Stock Name	Contribution (%)
Toyo Tanso	1.2
Lifenet Insurance	0.3
Horiba	0.3
GA Technologies	0.3
Soracom Inc	0.3
SWCC Corporation	0.3
Jade Group Inc	0.2
Nikkiso	0.1
SHIFT	0.1
Kamakura Shinsho	0.1
Cosmos Pharmaceutical	-0.7
MegaChips	-0.7
GMO Financial Gate	-0.6
Bengo4.Com	-0.6
WealthNavi	-0.6
Asahi Intecc	-0.6
TechnoPro	-0.5
RakSul	-0.5
I-ne	-0.5
eGuarantee	-0.5

One Year to 31 March 2024

Stock Name	Contribution (%)
Toyo Tanso	1.3
SWCC Corporation	0.6
Horiba	0.6
Jade Group Inc	0.5
Soracom Inc	0.3
Lifenet Insurance	0.2
GA Technologies	0.2
Taiyo Yuden	0.2
Noritsu Koki	0.2
Jeol	0.2
Open Door	-1.1
IRISO Electronics	-1.0
Cybozu	-1.0
RakSul	-1.0
I-ne	-1.0
Descente	-0.9
Katitas	-0.9
Litalico	-0.9
GMO Financial Gate	-0.9
Yonex	-0.9

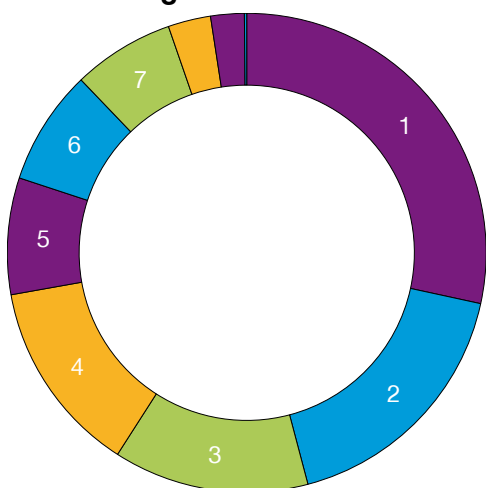
Source: Revolution, MSCI. Japan Small Cap composite relative to MSCI Japan Small Cap Index.

The holdings identified do not represent all of the securities purchased, sold or held during the measurement period. Past performance does not guarantee future returns. A full list showing all holdings' contributions to the portfolio's performance and a description on how the attribution is calculated is available on request. Some stocks may not have been held for the whole period. All attribution figures are calculated gross of fees, relative to the index from stock level up, based on closing prices. As attribution is shown relative to the benchmark, not all stocks shown are held in the portfolio.

Top Ten Holdings

Stock Name	Description of Business	% of Portfolio
Toyo Tanso	Electronics company	3.7
Lifenet Insurance	Provides a range of life insurance products and services.	3.1
Cosmos Pharmaceutical	Drug store chain	2.9
WealthNavi	Operates a wealth management platform	2.7
Asahi Intecc	Specialist medical equipment	2.5
Nifco	Value-added plastic car parts	2.5
LITALICO	Educational Service provider	2.3
GMO Financial Gate	develops and manufactures transaction management systems	2.3
KATITAS	Real estate services	2.3
SIIX	Out-sources overseas production.	2.3
Total		26.6

Sector Weights



	%
1 Industrials	28.5
2 Information Technology	17.5
3 Financials	13.2
4 Consumer Discretionary	13.2
5 Communication Services	7.9
6 Health Care	7.8
7 Consumer Staples	6.9
8 Materials	2.9
9 Real Estate	2.3
10 Cash	-0.2

Figures may not sum due to rounding.

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	26	Companies	5	Companies	4
Resolutions	226	Resolutions	5	Resolutions	4

We published our Japan Strategy Stewardship Report available on our website

The Environmental, Social and Governance (ESG) Voting analysts are currently analysing the first 'mini' AGM season for companies with December year ends. The 'main' voting season will be later this year in June

Company Engagement

Engagement Type	Company
Environmental	Akatsuki Inc., CellSource Co., Ltd., JADE GROUP, Inc, Kitanotatsujin Corporation, Nikkiso Co., Ltd., Shoei Co., Ltd., SpiderPlus & Co., Weathernews Inc., eGuarantee, Inc., istyle Inc.
Governance	Akatsuki Inc., Asahi Intecc Co., Ltd., Avex Inc., CellSource Co., Ltd., Descente Ltd., ENECHANGE Ltd., GA technologies Co., Ltd., HORIBA, Ltd., Infomart Corporation, JADE GROUP, Inc, KITZ Corporation, Lifenet Insurance Company, MonotaRO Co., Ltd., Nabtesco Corporation, Nifco Inc., Nikkiso Co., Ltd., OPTEX GROUP Company, Limited, OSG Corporation, Oisix ra daichi Inc., SHO-BOND Holdings Co., Ltd., SIX Corporation, Shoei Co., Ltd., SpiderPlus & Co., WealthNavi Inc., Weathernews Inc., eGuarantee, Inc., oRo Co., Ltd.
Strategy	GA technologies Co., Ltd.

Company	Engagement Report
Lifenet Insurance Company	<p>Objective: We met Lifenet Insurance's CFO, Yasuhiro Koba, and IR, Minori Kida, to discuss the insurer's governance evolution. This meeting, initiated by Lifenet, aimed to explore our updated voting guidelines, the application of materiality matrices, and the structuring of remuneration, building on previous discussions around emissions reporting.</p> <p>Discussion: We started by outlining our revised governance expectations, emphasising the importance of a considered approach to independence, diversity and executive remuneration. Lifenet's openness to adapting its governance framework was evident, reflecting a willingness to align with these expectations. The conversation touched on Lifenet's potential move to the Prime Segment and the implications for reporting standards, and we clarified our expectations across listing segments. We discussed our approach to virtual-only AGMs and highlighted the need for safeguards to protect minority shareholders and maintain effective shareholder dialogue. The emergence of activist shareholders on Lifenet's register prompted discussions on shareholder proposals and the importance of transparent communication. We also discussed Lifenet's use of a skills matrix to understand its board of directors more, revealing a commitment to identify and address board composition gaps. Lastly, we discussed executive remuneration. We fed back that Lifenet's current structure could emphasise long-term incentives, ideally in the form of shares, to better align executive interests with those of long-term investors.</p> <p>Outcome: The meeting underscored Lifenet's forward-thinking and openness to evolving its corporate governance practices. Our feedback was well-received, setting a positive foundation for future engagement. Lifenet's proactive approach highlights a commitment to aligning with investor expectations and underscores the value of ongoing dialogue in fostering constructive corporate governance evolution.</p>

Votes Cast in Favour

Companies	Voting Rationale
Appier Group Inc, CellSource Co., Ltd., Cybozu Inc, ENECHANGE Ltd., GA Technologies, Horiba, I-ne, Infomart Corp, KH Neochem, Kitz Corp, Kohoku Kogyo CO.,LTD., Kumiai Chemical, MonotaRO Co, Nabtesco, Nakanishi, Nikkiso Co Ltd, Nippon Ceramic, Noritsu Koki, OSG Corp, Optex Co Ltd, Peptidream, SII Corp, SpiderPlus & Co, Toyo Tanso, Wealthnavi Inc, oRo	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
CellSource Co., Ltd.	AGM 25/01/24	2	We opposed the plan to issue share acquisition rights to outside partners because we believe that this has the potential to create conflicts of interest.
ENECHANGE Ltd.	AGM 28/03/24	2.1	We opposed the re-election of the statutory auditor due to concerns over the delay in audit completion.
Horiba	AGM 23/03/24	1.1	We opposed the election of the board chairman as we think the dividend payment is too low and the company does not offer shareholders a separate vote on the dividend.
Kitz Corp	AGM 28/03/24	2.1	We opposed the election of the Board Chair due to the absence of a shareholder vote on the dividend.
Companies	Voting Rationale		
Kohoku Kogyo CO.,LTD.	We opposed the low dividend payment as we believe the company's capital strategy is not in the interests of shareholders.		

Votes Abstained

Company	Meeting Details	Resolution(s)	Voting Rationale
Nikkiso Co Ltd	AGM 28/03/24	1.1	We abstained on the re-election of the chair of the board as there was no separate vote on the dividend and we have concerns with the level of dividend payment. We believe the company's capital strategy is not in the interests of shareholders.
Nippon Ceramic	AGM 27/03/24	1.1	We abstained on the board chair because, while we are comfortable with the dividend, we think the company should offer a separate vote on the dividend as we believe it is an important part of facilitating dialogue between the company and its shareholders.
Companies	Voting Rationale		
Nakanishi, Toyo Tanso	We abstained on the low dividend payment as we believe the company's capital strategy is not in the interests of shareholders.		

Votes Withheld

We did not withhold on any resolutions during the period.

Votes Not Cast

Companies	Voting Rationale
Outsourcing	We did not vote due to selling out of the stock.
Snow Peak	We did not vote due to selling out.

New Purchases

Stock Name	Transaction Rationale
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. The potential for growth, both domestically and abroad, coupled with rapidly increasing sales and profits, suggests the company's market valuation does not fully capture its prospects. We have therefore decided to take a starter holding.
Soracom Inc	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. Sales are growing rapidly as the company is expanding across a range of end markets globally and it is already profitable, with margins expected to continue rising from here given the very high marginal profitability of the business. Given these attractions, we decided to participate in the IPO and have taken a starter holding.

Complete Sales

Stock Name	Transaction Rationale
Freakout Holdings	Freakout is a technology company that provides tools to automate advertising for both advertisers/ brands and advertising media such as popular websites, blogs and social media platforms. The company was a pioneer in automating the ad buying process in Japan and we had hoped that the company would use its first mover advantage to become the de-facto provider of ad technology in Japan. Unfortunately, the online ad industry in Japan has become a lot more competitive and instead of focusing on their strengths and trying to dominate the domestic market, management have embarked on overseas expansion driven by an M&A spree. This has resulted in a few impairments in recent years with the only notable success being that of Playwire, a private US company that is strong in video advertising and analytics. Overall, we have become quite underwhelmed with the company's overall growth prospects and its future trajectory in terms of what it could look like on a 5+ year view and we therefore decided to sell our entire holding in the company.
Open Door	Open Door runs "Travelko-chan", one of Japan's leading price comparison sites for domestic and international travel. The shares have been weak as both domestic and international travel in Japan has not yet fully recovered post-Covid. Additionally, Open Door is still a small company and doesn't have a strong balance sheet to support it yet. Longer term, we think the area of online travel agents and aggregators is likely to get more competitive as barriers to entry are weak and there are already a couple of international players making inroads in Japan. All of this suggests to us that Open Door is likely to face a tough period over the next few years and is likely to struggle to grow its business. Given these concerns, we have decided to sell our holding in the company.
Outsourcing	Outsourcing is a leading staffing company. It is in the process of being acquired by Private Equity. We have sold our entire holding in the company and are recycling the proceeds elsewhere in the portfolio.
Snow Peak	Snow Peak is a high end camping equipment brand. It is in the process of being acquired by Private Equity. We have sold our entire holding in the company and are recycling the proceeds elsewhere in the portfolio.

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