Baillie Gifford™

Japan Growth Quarterly Update

31 March 2024

This document is solely for the use of professional investors and should not be relied upon by any other person. It is not intended for use by retail clients.

Important Information and Risk Factors

Baillie Gifford & Co and Baillie Gifford & Co Limited are authorised and regulated by the Financial Conduct Authority (FCA). Baillie Gifford & Co Limited is an Authorised Corporate Director of OEICs.
Baillie Gifford Overseas Limited provides investment management and advisory services to non-UK Professional/Institutional clients only. Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited is authorised and regulated by the Financial Conduct Authority.
Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 is wholly owned by Baillie Gifford Overseas Limited and holds a Type 1 and Type 2 licence from the Securities & Futures Commission of Hong Kong to market and distribute Baillie Gifford's range of collective investment schemes to professional investors in Hong Kong. Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 can be contacted at Suites 2713-2715, Two International Finance Centre, 8 Finance Street, Central, Hong Kong, Telephone +852 3756 5700.
Baillie Gifford Investment Management (Europe) Limited provides investment management and advisory services to European (excluding UK) clients. It was incorporated in Ireland in May 2018. Baillie Gifford Investment Management (Europe) Limited is authorised by the Central Bank of Ireland as an AIFM under the AIFM Regulations and as a UCITS management company under the UCITS Regulation. Baillie Gifford Investment Management (Europe) Limited is also authorised in accordance with Regulation 7 of the AIFM Regulations, to provide management of portfolios of investments, including Individual Portfolio Management ('IPM') and Non-Core Services. Baillie Gifford Investment Management (Europe) Limited has been appointed as UCITS management company to the following UCITS umbrella company; Baillie Gifford Worldwide Funds plc.

Through passporting it has established Baillie Gifford Investment Management (Europe) Limited (Frankfurt Branch) to market its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in Germany. Similarly, it has established Baillie Gifford Investment Management (Europe) Limited (Amsterdam Branch) to market its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in The Netherlands.
Baillie Gifford Investment Management (Europe) Limited also has a representative office in Zurich, Switzerland pursuant to Art. 58 of the Federal Act on Financial Institutions ("FinIA"). The representative office is authorised by the Swiss Financial Market Supervisory Authority (FINMA). The representative office does not constitute a branch and therefore does not have authority to commit Baillie Gifford Investment Management (Europe) Limited.
Baillie Gifford Investment Management (Europe) Limited is a wholly owned subsidiary of Baillie Gifford Overseas Limited, which is wholly owned by Baillie Gifford & Co. Baillie Gifford Overseas Limited and Baillie Gifford & Co are authorised and regulated in the UK by the Financial Conduct Authority.
Persons resident or domiciled outwith the UK should consult with their professional advisers as to whether they require any governmental or other consents in order to enable them to invest, and with their tax advisers for advice relevant to their own particular circumstances.
This document contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.
All information is based on a representative portfolio, new client portfolios may not mirror the representative portfolio exactly. As at 31 March 2024, in US dollars and sourced from Baillie Gifford & Co unless otherwise stated.

South Africa

Baillie Gifford Overseas Limited is registered as a Foreign Financial Services Provider with the Financial Sector Conduct Authority in South Africa.

North America

Baillie Gifford International LLC is wholly owned by Baillie Gifford Overseas Limited; it was formed in Delaware in 2005 and is registered with the SEC. It is the legal entity through which Baillie Gifford Overseas Limited provides client service and marketing functions in North America. Baillie Gifford Overseas Limited is registered with the SEC in the United States of America.
The Manager is not resident in Canada, its head office and principal place of business is in Edinburgh, Scotland. Baillie Gifford Overseas Limited is regulated in Canada as a portfolio manager and exempt market dealer with the Ontario Securities Commission ('OSC'). Its portfolio manager licence is currently passported into Alberta, Quebec, Saskatchewan, Manitoba and Newfoundland & Labrador whereas the exempt market dealer licence is passported across all Canadian provinces and territories. Baillie Gifford International LLC is regulated by the OSC as an exempt market and its licence is passported across all Canadian provinces and territories. Baillie Gifford Investment Management (Europe) Limited ('BGE') relies on the International Investment Fund Manager Exemption in the provinces of Ontario and Quebec.

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

Japan

Mitsubishi UFJ Baillie Gifford Asset Management Limited ('MUBGAM') is a joint venture company between Mitsubishi UFJ Trust & Banking Corporation and Baillie Gifford Overseas Limited. MUBGAM is authorised and regulated by the Financial Conduct Authority.

South Korea

Baillie Gifford Overseas Limited is licensed with the Financial Services Commission in South Korea as a cross border Discretionary Investment Manager and Non-Discretionary Investment Adviser.

Australia

Baillie Gifford Overseas Limited (ARBN 118 567 178) is registered as a foreign company under the Corporations Act 2001 (Cth) and holds Foreign Australian Financial Services Licence No 528911. This material is provided to you on the basis that you are a "wholesale client" within the meaning of section 761G of the Corporations Act 2001 (Cth) ("Corporations Act"). Please advise Baillie Gifford Overseas Limited immediately if you are not a wholesale client. In no circumstances may this document be made available to a "retail client" within the meaning of section 761G of the Corporations Act. This material contains general information only. It does not take into account any person's objectives, financial situation or needs.

Israel

Baillie Gifford Overseas is not licensed under Israel's Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 5755-1995 (the Advice Law) and does not carry insurance pursuant to the Advice Law. This document is only intended for those categories of Israeli residents who are qualified clients listed on the First Addendum to the Advice Law.

Past Performance

Past performance is not a guide to future returns. Changes in investment strategies, contributions or withdrawals may materially alter the performance and results of the portfolio. Material market or economic conditions will have an impact on investment results. The returns presented in this document are gross of fees unless otherwise stated and reflect the reinvestment of dividends and interest.
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.

Financial Intermediaries

This document is suitable for use of financial intermediaries. Financial intermediaries are solely responsible for any further distribution and Baillie Gifford takes no responsibility for the reliance on this document by any other person who did not receive this document directly from Baillie Gifford.

Product Overview

Japanese Growth is a concentrated, regional equity strategy that aims to produce above average long-term performance through investment in Japanese equities with a market cap of greater than ¥150bn. 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

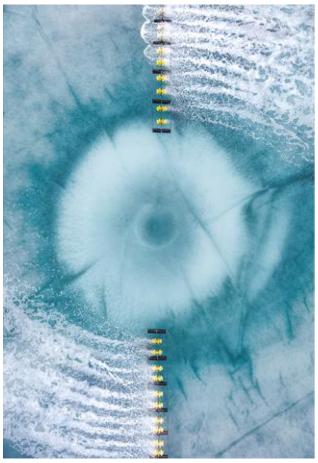
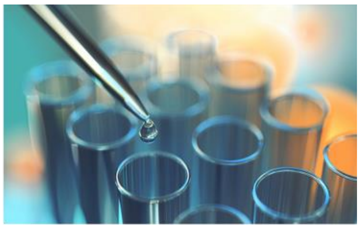
Key Statistics	
Number of Holdings	55
Typical Number of Holdings	35-55
Active Share	80%*
Annual Turnover	22%

*Relative to TOPIX. Source: Baillie Gifford & Co, Japan Exchange Group.

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

Share prices are beginning to reward clear signs of operational progress across the portfolio

The portfolio is positioned towards long-term secular trends such as Artificial Intelligence (AI), automation and premiumisation


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

Japan's Next Chapter

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 you that this improving domestic picture has not so far translated into strong returns from the Japanese equities mandate. Surely these changes bode well for Japanese growth investors?

We agree. At the end of 2021, our strategy was well ahead of the TOPIX index by 3 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 delivered decent yen returns in 2023 but 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.

These headwinds have suppressed the returns for the portfolio, but these are temporary rather than structural issues. This is why we're comfortable not owning Toyota Motor and Mitsubishi UFJ Financial Group, two of the largest drivers of returns for the TOPIX over the past two years. We don't think the best returns for the next five years will be found in a car manufacturer that will need to re-tool to compete on an electric vehicle paradigm or in a traditional financial services business operating in an industry now adapting to the world of Artificial Intelligence (AI). We've never taken much interest in what the index owns, given our active share of over 80 per cent.

Headwinds to tailwinds

There's already evidence to suggest that the headwinds we've faced are beginning to turn in the portfolio's favour. There is more clarity on the interest rate and inflation picture globally as well as in Japan. That helps 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 at more than 1.5x that of the TOPIX. We would gladly share five-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 two years.

We can't predict inflexion points 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 such as AI, automation and premiumisation. We expect and want our holdings to invest in their opportunities. The portfolio is doing just that by allocating to research and development at a much higher rate than the average Japanese business, helped by the ambitious leadership of the entrepreneurial founders and families we invest alongside. 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 focused on the long-term opportunities. It is an important tool for assessing new ideas for the portfolio. It's just as important a lens through which to view the existing portfolio. We use it to navigate 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.

SBI Holdings, one of the largest positions in the portfolio, is an innovative financial services company with operations spanning online financial services and asset management. It is best known for its low-cost online brokerage platform. Much of its appeal is down to President and CEO Yoshitaka Kitao, arguably SBI's greatest asset. The results speak for themselves: under his leadership, SBI has grown to become the largest online brokerage in Japan, and the expansive digital ecosystem he has built has the potential to change how Japan's finance industry operates. Over our 13-year holding period, we have gradually built up the position size in the belief that this is a large and open-ended opportunity. Recent share price strength highlights just this, with the new NISA [Nippon individual savings account] rules evidencing the appeal and competitiveness of SBI's platform, resulting in record revenue generation for the period and a significant increase in new accounts.

Softbank, the largest position in the portfolio, is another example. Its chip designer subsidiary ARM is viewed as the crown jewel, and in February this year, its share price doubled after the company released blockbuster results that evidence the dominance of its architecture: ARM has a 100 per cent share of the smartphone CPU market.

Softbank's Vision Fund accounts for the second largest exposure within the group. Having faced the same plight as other private equity funds, with rising financing costs and an uncertain outlook taking their toll on valuations. This is now changing. Softbank's recent group results show a $4bn gain across the three funds, most notably from the Chinese private company ByteDance (which owns TikTok) in addition to several up-rounds of private companies. Following these recent successes, Softbank has swung back into profit and now trades at a wider discount of 60 per cent, as its share price has failed to keep up with the growth in NAV. Given the attractiveness of the assets, which we expect to grow in value over time, we're confident this discount will narrow. With serial entrepreneur and long-term capital allocator Masayoshi Son in charge, we believe the likelihood of further upside is high.

The third example is Rakuten, a holding emblematic of our patient and supportive investment philosophy. Rakuten has built Japan's largest online ecosystem, boasting more than 70 online services and over 100 million users, with particular strength in e-commerce and online financial services. However, its ambitious plans to build out its own mobile network have dented group profitability and weighed heavily on the share price. Again, there are signs that this is changing. Through its network, Rakuten can now offer a cheaper alternative to its competitors, and consumers are starting to react: Rakuten has seen an acceleration in the growth rate of paying subscribers, and it has effectively covered its debt obligations for the year, providing ample room for its cash flow metrics to improve. This has all led to losses narrowing and increased odds of profitability by the end of the year.

It has been hard work for Rakuten to get to this point, and it has both taken longer and cost more than we and the company predicted. We have held throughout because of the potential rewards for success. After a re-evaluation of the investment case, if the company can capture a mere 10 per cent of the market, assuming a conservative 10 per cent operating margin and industry exit multiples – then this part of the business alone would deliver a doubling of the company's current enterprise value. We think Rakuten is well worth a top spot in the portfolio, and we're optimistic about the probability of its long-term success.

While backing these unconventional businesses has been difficult at times, we think that perseverance, underwritten by a strong understanding of the long-run opportunity, will pay off.

Competition for capital

Our research framework focuses on opportunity, edge, ESG and valuation. Companies in the portfolio must be able to comfortably answer our four questions to earn a place. Two recent purchases that have passed this hurdle are Nakanishi and Money Forward.

Nakanishi is a third-owned family founder-run dental equipment manufacturer that commands a high market share in the European and Japanese markets, with growing potential in America. It is particularly strong in rotary cutting tools (with rapidly spinning motors which turn faster than the engine of a jumbo jet!) and consumable drill bits, which sit within the premium end of the dental equipment market and generate healthy profit margins.

In the long term, we expect demand for its products to be driven by demographic trends in developed markets and rising standards of living/hygiene regulations in emerging markets. In particular, Nakanishi looks well placed to exploit growth in the Chinese and North American markets, where it has recently made acquisitions. These acquisitions have dented profit margins and soured short-term sentiment towards the stock, creating an opportune moment to take a new position for the portfolio.

Money Forward provides cloud-based back-office solutions (accounting, finance, HR, legal and Information Systems) to small and medium-sized businesses, as well as marketing and financial services. It also operates a fintech platform helping financial institutions connect their services to individuals and corporate customers, and Japan's leading personal finance app, Money Forward ME, which has built up 15m users. It has similarities to Freee, also held in the portfolio, but addresses a wider waterfront, though it is comparable in terms of revenues on an apples-to-apples basis. We're attracted to Money Forward's edge, which can be seen through its ambition to create a SaaS ecosystem and its determination to grow its brand and reputation further.

These purchases were funded by a reduction to Disco, a global leader in semiconductor tools. Recently, the demand backdrop for its products has been very good, partly driven by demand for 5G and AI chips, which resulted in the shares performing very strongly over the last year, outperforming all other Japanese semiconductor stocks.

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 SBI, Softbank and Rakuten, will eventually dominate the returns we seek for the portfolio. We know the past few years have been difficult, and we thank you for the continued support. 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 you 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	8.1	11.1	-2.9
1 Year	9.2	21.7	-12.5
3 Year	-4.3	6.7	-11.0
5 Year	2.6	8.2	-5.5
10 Year	8.2	10.0	-1.8
Since Inception	8.4	8.8	-0.3

USD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	7.1	10.0	-2.9
1 Year	11.6	24.3	-12.7
3 Year	-7.0	3.7	-10.7
5 Year	2.0	7.5	-5.5
10 Year	5.3	7.0	-1.7
Since Inception	6.6	6.9	-0.3

EUR	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	9.6	12.6	-3.0
1 Year	12.2	25.0	-12.8
3 Year	-4.4	6.6	-11.0
5 Year	2.8	8.3	-5.5
10 Year	7.9	9.6	-1.7
Since Inception	8.7	9.1	-0.3

CAD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	10.0	12.9	-3.0
1 Year	11.6	24.3	-12.7
3 Year	-4.7	6.2	-11.0
5 Year	2.2	7.8	-5.5
10 Year	7.4	9.2	-1.7
Since Inception	8.5	8.8	-0.3

AUD	Composite Net (%)	Benchmark (%)	Difference (%)
3 Months	12.1	15.1	-3.0
1 Year	14.5	27.6	-13.1
3 Year	-2.1	9.1	-11.3
5 Year	3.7	9.3	-5.6
10 Year	9.0	10.8	-1.8
Since Inception	9.0	9.3	-0.3

Annualised periods ended 31 March 2024. 3 Month & 1 Year figures are not annualised.
Inception date: 31 December 2009
Figures may not sum due to rounding.
Benchmark is TOPIX.
Source: Revolution, Japan Exchange Group.
The Japan Growth composite is more concentrated than the TOPIX.

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 (%)	-7.4	40.0	-13.6	-7.1	9.2
Benchmark (%)	-2.5	24.8	-2.7	2.8	21.7

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 (%)	-11.8	55.8	-17.5	-12.7	11.6
Benchmark (%)	-7.2	38.9	-7.2	-3.5	24.3

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 (%)	-9.8	45.4	-12.9	-10.6	12.2
Benchmark (%)	-5.1	29.6	-1.9	-1.2	25.0

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 (%)	-6.1	37.6	-18.0	-5.5	11.6
Benchmark (%)	-1.1	22.6	-7.7	4.6	24.3

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 (%)	2.3	25.2	-16.3	-2.2	14.5
Benchmark (%)	7.7	11.6	-5.8	8.2	27.6

Benchmark is TOPIX.
Source: Revolution, Japan Exchange Group.
The Japan Growth composite is more concentrated than the TOPIX.

Stock Level Attribution

Top and Bottom Ten Contributors to Relative Performance

Quarter to 31 March 2024

Stock Name	Contribution (%)
Disco	0.9
SoftBank Group	0.8
MS&AD Insurance	0.7
DMG Mori	0.5
Mitsubishi Corp	0.5
Japan Exchange Group	0.3
Rakuten	0.3
SBI Holdings	0.3
DENSO	0.3
Daikin Industries	0.2
Toyota Motor	-1.1
Murata	-0.6
Tokyo Electron	-0.5
Rohm	-0.5
SHIFT	-0.5
Unicharm	-0.4
LY Corporation	-0.4
Kose Corporation	-0.4
Sony	-0.4
Mercari	-0.4

One Year to 31 March 2024

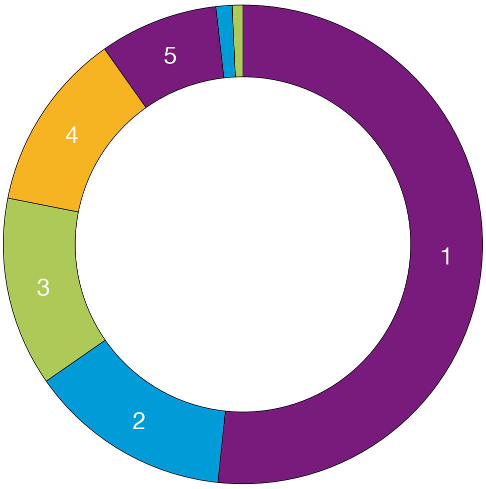
Stock Name	Contribution (%)
Disco	2.4
MS&AD Insurance	1.1
SoftBank Group	0.9
Mitsubishi Corp	0.8
Japan Exchange Group	0.7
Recruit Holdings	0.6
DMG Mori	0.6
SBI Holdings	0.5
Daiichi Sankyo Co Ltd	0.4
Takeda Pharmaceutical	0.4
Toyota Motor	-1.7
Kose Corporation	-1.3
Shiseido	-1.1
MISUMI	-1.0
Unicharm	-1.0
Tokyo Electron	-0.9
Rohm	-0.9
Sysmex	-0.8
FANUC	-0.8
Keyence	-0.7

Source: Revolution, Japan Exchange Group. Japan Growth composite relative to TOPIX.
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
SoftBank Group	Telecom operator and technology investor	5.8
Keyence	Manufacturer of sensors	4.3
Sony	Consumer electronics, films and finance	4.2
SBI Holdings	Online financial services	3.9
MS&AD Insurance	Japanese insurer	3.9
Recruit Holdings	Property, lifestyle and HR media	3.8
Sumitomo Mitsui Trust	Japanese trust bank and investment manager	3.5
Disco	Specialist cutting for semiconductors	3.1
Murata Manufacturing	Manufactures and sells ceramic applied electronic components	3.0
Mitsubishi Corp	General trading company	3.0
Total		38.5

Sector Weights



		%
1	Manufacturing	51.7
2	Finance & Insurance	13.7
3	Transport And Communications	12.8
4	Services	12.1
5	Commerce	8.0
6	Real Estate	1.1
7	Cash	0.7

Figures may not sum due to rounding.

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	14	Companies	1	Companies	None
Resolutions	146	Resolutions	1	Resolutions	None

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' Annual General Meeting (AGM) season for companies with December year ends. The 'main' voting season will be later this year in June
Engagements were held with holdings including Recruit, Bridgestone and Fanuc

Company Engagement

Engagement Type	Company
Environmental	Bridgestone Corporation, Fanuc Corporation
Social	Fanuc Corporation, Recruit Holdings Co., Ltd.
Governance	BASE,Inc., DMG Mori Co., Ltd., Fanuc Corporation, GMO internet group, Inc., HORIBA, Ltd., KOSe Corporation, Kao Corporation, MonotaRO Co., Ltd., Sysmex Corporation, Toto Ltd., Unicharm Corporation
Strategy	Bridgestone Corporation, Fanuc Corporation, GMO internet group, Inc., Recruit Holdings Co., Ltd.

Company	Engagement Report
Bridgestone	Objective: We met with Bridgestone to discuss its progress towards carbon neutrality and a circular economy. Key discussions revolved around its strategic integration of sustainability and emissions reduction plans. Discussion: Bridgestone has exceeded its 2030 CO_2 reduction target, achieving a 64 per cent decrease for Scope 1 and 2 emissions. Its current priority is to electrify the energy-intensive vulcanisation process, creating a technological barrier to reducing emissions. However, the company seeks to balance energy use in this area with increased production outputs. Bridgestone aims to increase the use of recyclable materials in its tyres to 37-39 per cent. A collaboration with Michelin on tyre recycling is underway to improve the supply of tyres being recycled. Establishing this supply chain and understanding the value premium that tyres could provide are the current priorities in this area. Bridgestone aims to reduce its supply chain (Scope 3) emissions by more than five times its Scope 1 and 2 emissions. This target involves engaging suppliers to adopt sustainable practices to have 92 per cent of suppliers, on an emissions basis, set its Science-Based Targets (SBTs) by 2027. However, achieving absolute Scope 3 reductions requires more management buy-in and deeper integration of climate considerations into the upstream supply chain, presenting a complex challenge that Bridgestone is still navigating. We also explored how R&D investments focus on sustainable manufacturing and material innovation. Challenges such as the impact of electric vehicles on tyre lifespan are being addressed through specialised products, and it is demonstrating the potential for innovation in emerging product segments. We also explore Bridgestone's commitment to supporting the efficiency and resilience of its smallholder rubber suppliers. Enhancing supply chain resilience underscores its holistic approach to sustainability. Outcome: While Bridgestone's meeting showcased its commitment to sustainability and significant achievements in CO_2 reductions, the path to achieving its ambitious Scope 3 emissions targets presents considerable challenges. We will continue to monitor the progress that it makes in this area.
GMO internet group	Objective: We were offered a call by GMO Internet Group to explore its latest ESG initiatives, and we used this as an opportunity to understand how these efforts are incorporated into its broader corporate strategy. Discussion: The starting point of the debate was GMO's materiality mapping exercise, initiated by the Investor Relations team to integrate diverse perspectives into its ESG strategy. This approach, while commendable, prompted us to suggest a stronger linkage between materiality mapping and decision-making processes to ensure these efforts are not just procedural but impactful. On governance, the reduction of board members from 20 to 9 and a shift from execution to monitoring were discussed as areas where its corporate governance has improved. However, the board's lack of diversity, particularly gender diversity, was also discussed. The company's current approach to diversification raises questions about the long-term plan for more profound change to ensure the board has practical, independent challenges. Cybersecurity and data privacy were areas where GMO Internet demonstrated considerable fluency. The appointment of a groupwide Chief Information Security Officer (CISO) from a cybersecurity subsidiary and the efficient internal reporting mechanisms for data breaches reflect a considered approach to cybersecurity. Additionally, its adherence to and adoption of leading data privacy standards, including GDPR and California's privacy laws, underscores the company's commitment to protecting user data. Outcome: This meeting helped provide insights into GMO Internet's progress towards developing corporate governance and steps in cybersecurity and data privacy. While there are areas for improvement, notably in governance and board diversity, the discussion provided a valuable foundation for future engagement.

Company	Engagement Report
Recruit Holdings	Objective: We spoke to Recruit's Sustainability Team about how its 'Prosper Together' ESG Strategy can have a positive societal impact while supporting Recruit's growth. Discussion: We discussed how Recruit's ESG strategy helps boost shareholder returns. This primarily happens via its staff and customers. On the former, Recruit believes that having an ESG Strategy helps motivate staff and leads to a higher retention rate than peers. On the latter, enhancing job seeker outcomes increases the number of employers and job seekers on its platform, strengthening the network effect and helping drive market share. At the same time, Recruit acknowledged the challenge of measuring its social impact given the limited touch points during the hiring process. Outcome: The conversation was valuable in understanding Recruit's strategic direction and efforts to balance core business execution with broader societal contributions.

Votes Cast in Favour

Companies	Voting Rationale
BASE, Bridgestone, DMG Mori, GMO Internet, Horiba, Kao, Kose Corp., Kubota, MonotaRO Co, Peptidream, Pigeon, Rakuten, Shiseido, Unicharm	We voted in favour of routine proposals at the aforementioned meeting(s).

Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
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.

Votes Abstained

We did not abstain on any resolutions during the period.

Votes Withheld

We did not withhold on any resolutions during the period.

New Purchases

Stock Name	Transaction Rationale
Money Forward	Money Forward is one of the leading providers of cloud-based back-office software solutions to small- and medium- sized businesses in Japan. It also operates a fintech platform helping financial institutions connect their services to individual and corporate customers as well as Japan's leading personal finance app, Money Forward ME. The company has built a strong reputation and network among Small and medium-sized enterprises and financial institutions with its accounting software suite. We believe this will help the company cross-sell more of its products in the future helping it gain a large share in this rapidly growing market. The founder CEO's energy and vision as well as alignment with the other shareholders is another factor which will likely help the company penetrate this market opportunity. We have therefore decided to take a holding for the portfolio.
Nakanishi	Nakanishi is a founder family-run dental equipment manufacturer that commands a high market share in the European and Japanese markets. It is particularly strong in rotary cutting tools and, more broadly, in the premium end of the dental equipment market. Ageing demographic trends in developed economies drive the demand for its products, and there is significant demand growth in emerging economies as standards of living rise and hygiene regulations are tightened. Nakanishi looks particularly well placed to exploit growth in the Chinese and North American markets, where it has recently made acquisitions. Its share price has been weak lately owing to falling profit margins related to these acquisitions, but we believe they will improve the company's technological and distribution capabilities in the future. Therefore, we decided to take a new holding for the portfolio.

There were no complete sales during the period.

MSCI	Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.
TOPIX	The TOPIX Index Value and the TOPIX Marks are subject to the proprietary rights owned by JPX Market Innovation & Research, Inc. or affiliates of JPX Market Innovation & Research, Inc. (hereinafter collectively referred to as "JPX") and JPX owns all rights and know-how relating to TOPIX such as calculation, publication and use of the TOPIX Index Value and relating to the TOPIX Marks. JPX shall not be liable for the miscalculation, incorrect publication, delayed or interrupted publication of the TOPIX Index Value.