

Fund objective

To outperform (after deduction of costs) the TOPIX, as stated in sterling, by at least 1% per annum over rolling five-year periods through a combination of income and capital growth whilst maintaining a portfolio yield higher than the TOPIX.

The manager believes this is an appropriate target given the investment policy of the Fund and the approach taken by the manager when investing. In addition, the manager believes an appropriate performance comparison for this Fund is the Investment Association Japan Sector.

There is no guarantee that this objective will be achieved over any time period and actual investment returns may differ from this objective, particularly over shorter time periods.

Investment proposition

The Fund applies the same well-tested growth investing philosophy and process that we use across all of our Japanese investments. For the Japanese Income Growth Fund, we combine this approach with a focus on companies that are improving returns on capital and balance sheet efficiency, to generate a portfolio of growth companies with a yield orientation. In this way we hope to generate strong long-term total returns as well as provide those investors that require it with a higher than market yield along the way. The Fund balances current income generation with growing that income over time, and invests across the market cap spectrum.

Periodic performance

	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Class B-Inc (%)	8.6	10.7	7.1	3.5
Index (%)*	10.6	17.3	14.3	8.4
Target (%)**	10.8	18.5	15.5	9.5
Sector Average (%)***	9.4	15.9	12.7	7.2
Sector Ranking	77/103	90/102	87/98	79/93

Annual discrete performance

	30/09/20-30/09/21	30/09/21-30/09/22	30/09/22-30/09/23	30/09/23-30/09/24	30/09/24-30/09/25
Class B-Inc (%)	11.0	-13.2	0.0	11.1	10.7
Index (%)*	15.6	-13.5	15.1	10.7	17.3
Target (%)**	16.8	-12.7	16.3	11.8	18.5
Sector Average (%)***	16.7	-15.4	11.3	11.1	15.9

Source: FE, Revolution, Japan Exchange Group. Total return net of charges, in sterling.

Share class returns calculated using 10am prices, while the Index is calculated close-to-close.

*TOPIX (in sterling).

**TOPIX (in sterling) plus at least 1% per annum over rolling five-year periods (through a combination of income and capital growth).

***IA Japan Sector.

Fund facts

Managers	Matt Brett* / Karen See
Fund launch date	04 July 2016
Fund Size	£307.12m
IA Sector	Japan
Active share	84%†
Annual turnover	4%
Guideline number of holdings	45-65
Number of holdings	61
Structure	OEIC

*Partner

†Relative to TOPIX (in sterling).

Source: Baillie Gifford & Co, Japan Exchange Group.

Top ten holdings

Holdings	% Total assets
SoftBank Group	7.1
SBI Holdings	5.7
GMO Internet	4.0
Sumitomo Mitsui Trust	4.0
Tokio Marine Holdings Inc	3.5
MS&AD Insurance	3.0
Nintendo	2.9
Bridgestone	2.5
Wacom	2.4
PARK24	2.3

Stock level attribution

Top and bottom ten contributors to relative performance

Quarter to 30 September 2025

Stock name	Contribution %
SoftBank Group	1.9
SBI Holdings	0.8
Hitachi	0.4
Sumitomo Metal Mining Co Ltd	0.3
Recruit Holdings	0.3
Murata	0.2
Keyence	0.2
Tokyo Electron	0.2
Wacom Co Ltd	0.2
Nippon Electric Glass	0.2
MonotaRO Co	-0.6
DMG Mori	-0.5
Sysmex Corp	-0.5
GMO Internet	-0.4
Infomart Corp	-0.4
Mitsubishi UFJ Fin Grp	-0.3
Unicharm	-0.3
Nippon Paint	-0.3
Mixi Inc	-0.3
Nintendo	-0.3

One year to 30 September 2025

Stock name	Contribution %
SBI Holdings	2.3
SoftBank Group	2.3
GMO Internet	0.8
Keyence	0.6
Nintendo	0.5
Daiichi Sankyo Company	0.5
Recruit Holdings	0.5
CyberAgent Inc	0.5
Shin-Etsu Chemical	0.5
M3	0.4
Unicharm	-1.3
Mitsubishi UFJ Fin Grp	-1.0
Calbee Inc	-0.9
Sysmex Corp	-0.8
Sony	-0.8
Shiseido	-0.7
Olympus	-0.7
Seria Co Ltd	-0.6
Pola Orbis Holdings Inc	-0.6
Mitsubishi Heavy Industries	-0.5

Source: Revolution, Japan Exchange Group. Baillie Gifford Japanese Income Growth Fund relative to TOPIX (in sterling).

Some stocks may only have been held for part of the 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. See the List of Holdings section of this report for the stocks held.

Sector

	Fund (%)	Index (%)	Difference (%)
Manufacturing	42.0	51.5	-9.5
Transport And	18.0	11.5	6.5
Finance & Insurance	17.3	15.0	2.3
Services	8.4	4.1	4.3
Commerce	8.0	11.8	-3.8
Real Estate	5.3	2.0	3.3
Construction	0.8	2.4	-1.6
Cash	0.2	0.0	0.2

Source: Baillie Gifford & Co, Japan Exchange Group. Index: TOPIX. As well as cash in the bank, the cash balance includes unsettled cash flows arising from both shareholder flows and outstanding trades. Therefore, a negative balance may arise from timing differences between shareholder flows and security trading and does not necessarily represent a bank overdraft.

Portfolio characteristics

	Fund	Index
Market Cap (weighted average)	GBP 23.8bn	GBP 45.2bn
Price/Book	1.8	1.4
Price/Earnings (12 months forward)	14.1	14.9
Earnings Growth (5 year historic)	4.0%	7.3%
Return on Equity	12.1%	9.9%
Predicted Beta (12 months)	0.9	N/A
Standard Deviation (trailing 3 years)	9.0	8.5
R-Squared	0.7	N/A
Delivered Tracking Error (12 months)	4.1	N/A
Sharpe Ratio	1.1	1.9
Information Ratio	-1.3	N/A
Number of geographical locations	1	N/A
Number of sectors	7	N/A
Number of industries	22	N/A

Source: FactSet, Revolution, APT, Baillie Gifford & Co, Japan Exchange Group. Index: TOPIX. We have provided these characteristics for information purposes only.

In particular, we do not think index relative metrics are suitable measures of risk. Fund and Index figures are calculated excluding negative earnings.

Market environment

The quarter saw the TOPIX surpass its 1989 peak, underscoring Japan's transition into a new market regime where price increases are becoming structural rather than episodic. In response, the BoJ has begun the long process of reducing its ~6% equity market holding, but at a glacial pace that a full exit would take more than a century - reflecting its nondisruptive intention. Political turnover continued with Ishiba's resignation, making his short tenure broadly consistent with post-war averages, and unlikely to carry lasting market significance. Against this improving domestic backdrop small caps outperformed export-oriented large caps, highlighting a tilt towards domestically geared growth.

We also revisited the theme of corporate reform in a paper titled *'The long game: engagement and activism in Japan'*. While often framed as a source of near-term payouts, the more durable opportunity lies in companies able to compound earnings and reinvest capital effectively. With only 25% of the market now trading below book- half the level of five years ago - the reform narrative is shifting toward structural improvement and the potential for engaged ownership to unlock sustainable value creation.

Performance

Monotaro, DMG Mori and Sysmex were among the top detractors from relative performance.

MonotaRO, Japan's leading online MRO (maintenance, repair and operations) distributor, detracted despite solid results. Investor focus shifted to rising fulfilment costs and continued spend on logistics/IT. We still see a long runway as procurement shifts online. **DMG Mori**, a global machine-tool manufacturer was impacted by customers delayed capital expenditure - especially in Europe and China - leading to weaker orders. Supply-chain frictions slowed backlog conversion, while input inflation and a softer mix compressed margins. We remain supportive given its exposure to automation, software and services. **Sysmex** a leader in in-vitro diagnostics and haematology analysers weakened on softer earnings. Despite this management reaffirmed guidance and expects margins to recover as conditions stabilise and growth in Asia and the U.S. accelerates.

Softbank, SBI Holdings, and Hitachi were among the top contributors to relative performance.

Investment Holding company **SoftBank** continued to benefit from enthusiasm surrounding its exposure to AI, centred around its stake in ARM, and an investment in Open AI. Both stakes are at the heart of the AI revolution which

boosted Softbank's share price over the quarter. Our September discussion with Softbank's CFO Goto-san, underscored just how central SoftBank intends to be in shaping the AI epoch. **SBI Holdings**, Japan's leading online financial services company has continued to make progress. Its successful transformation from an online financial broker into a diversified financial conglomerate is well underway. Through the integration of Shinsei Bank, banking has grown to represent over half of the group's core profitability. A doubling of deposits since the acquisition is laying the foundation for a potential partial re-listing, likely at a significant premium to the acquisition price. A nil holding in **Hitachi** contributed to performance after shares were weak following results.

Notable transactions

During the quarter we took a new position in **Chugai Pharmaceutical**. It has a strong track record of innovative drug discovery which we think is due to its unusual culture. This culture is a function of Roche's influence as a large shareholder and strategic partner, its founder's influence and its early experience in biologics.

Market Outlook

We believe that there remains a large return opportunity for long-term growth investing in Japan. Our positioning in companies aligned with long-term secular growth - many of which have not been fully appreciated in recent years - presents a good opportunity for outperformance ahead.

Transactions from 01 July 2025 to 30 September 2025.

There were no new purchases during the period.

There were no complete sales during the period.

Voting activity

Votes cast in favour		Votes cast against		Votes abstained/withheld	
Companies	2	Companies	None	Companies	None
Resolutions	19	Resolutions	None	Resolutions	None

Company engagement

Engagement type	Company
Governance	Fanuc Corporation, Kao Corporation, Nakanishi Inc., Nidec Corporation, SBI Holdings, Inc., Sawai Pharmaceutical Co., Ltd., Seria Co., Ltd., Tokyo Metro Co., Ltd.
Strategy	Kao Corporation, Seria Co., Ltd.

For further details on company engagement please contact us. You can also find further information on how we integrate environmental, social and governance (ESG) matters into our investment approach, [here](#).

Asset name	Fund %
SoftBank Group	7.1
SBI Holdings	5.7
GMO Internet	4.0
Sumitomo Mitsui Trust	4.0
Tokio Marine Holdings Inc	3.5
MS&AD Insurance	3.0
Nintendo	2.9
Bridgestone	2.5
Wacom	2.4
PARK24	2.3
DMG Mori	2.2
FANUC	2.2
Rakuten	2.1
Calbee	2.0
Kubota	2.0
Seria	2.0
Pola Orbis	1.9
Kao	1.9
Murata Manufacturing	1.9
Sumitomo Metal Mining	1.8
Industrial & Infrastructure Fund	1.7
Itochu Corp.	1.7
Unicharm	1.7
M3	1.5
MonotaRO	1.5
CyberAgent	1.4
MIXI	1.4
Kakaku.com	1.4
Sato Holdings	1.3
Pigeon	1.3
Sugi Holdings	1.3
Olympus	1.3
Nippon Paint	1.2
Tokyo Tatemono	1.2
Eisai	1.2
OSG	1.2
Kyocera	1.1
Sysmex	1.1
Shiseido	1.1
SoftBank Corp	1.0
Broadleaf	1.0
DENSO	1.0
Nihon M&A	1.0
Infomart	1.0
Nakanishi	0.9
GMO Payment Gateway	0.9
LY Corporation	0.8
Nippon Electric Glass	0.8

Asset name	Fund %
Milbon	0.8
MISUMI	0.8
Sho-Bond Holdings	0.8
Mitsui	0.8
Japan Exchange Group	0.7
COLOPL	0.7
SMC	0.6
Nidec Corporation	0.6
Chugai Pharmaceutical	0.6
Tokyo Metro	0.6
Gree	0.5
Kyoto Financial Group, Inc.	0.4
Sawai Pharmaceutical	0.4
Cash	0.2
Total	100.0

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Share class	Share class inception date	ISIN	SEDOL	Annual management fee (%)	Ongoing charge figure (%)
Class B-Acc	04 July 2016	GB00BYZJQH88	BYZJQH8	0.60	0.63
Class B-Inc	04 July 2016	GB00BYZJQG71	BYZJQG7	0.60	0.63

The table displays the primary shares classes. Other share classes may be available for those investors who have a separate arrangement. Charges will reduce the value of your investment. Please refer to the Prospectus and Key Investor Information Document for further details.

The Ongoing Charges Figure ('OCF') may be lower than previous declarations as a result of a revision to how the indirect fees associated with closed-ended investment companies need to be shown. This does not necessarily mean that fund expenses have gone down rather that we have reverted to how they have been calculated until 30 June 2022 to reflect the revised Investment Association's Guidance on Disclosure of Fund Charges and Costs (July 2020, updated January 2022, revised November 2023). A more detailed Costs and Charges disclosure is available upon request.

TOPIX

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Additional geographical location information

Israel: This Report, as well as investment in the Fund described herein, is directed at and intended for Investors that fall within at least one category in each of: (1) the First Schedule of the Israeli Securities Law, 1968 ("Sophisticated Investors"); and (2) the First Schedule of the Investment Advice Law ("Qualified Clients").

The Fund's share price can be volatile due to movements in the prices of the underlying holdings and the basis on which the Fund is priced.

As with any investment, the clients' capital is at risk. Past performance is not a guide to future returns.

Throughout the report all figures are rounded, so any totals may not sum. Not all stocks mentioned may be held by the portfolio.

All information as at 30 September 2025 and source is Baillie Gifford & Co unless otherwise stated.

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Ref: 177110