

## Japan All Cap Quarterly Update

---

30 September 2025



*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 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) Ltd (BGE) 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. BGE also has regulatory permissions to perform Individual Portfolio Management activities. BGE provides investment management and advisory services to European (excluding UK) segregated clients. BGE has been appointed as UCITS management company to the following UCITS umbrella company; Baillie Gifford Worldwide Funds plc. BGE 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 30 September 2025, 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

## **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.

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

## 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.

## Singapore

Baillie Gifford Asia (Singapore) Private Limited is wholly owned by Baillie Gifford Overseas Limited and is regulated by the Monetary Authority of Singapore as a holder of a capital markets services licence to conduct fund management activities for institutional investors and accredited investors in Singapore. Baillie Gifford Overseas Limited, as a foreign related corporation of Baillie Gifford Asia (Singapore) Private Limited, has entered into a cross-border business arrangement with Baillie Gifford Asia (Singapore) Private Limited, and shall be relying upon the exemption under regulation 4 of the Securities and Futures (Exemption for Cross-Border Arrangements) (Foreign Related Corporations) Regulations 2021 which enables both Baillie Gifford Overseas Limited and Baillie Gifford Asia (Singapore) Private Limited to market the full range of segregated mandate services to institutional investors and accredited investors in Singapore. The information contained in this document is meant purely for informational purposes and should not be relied upon as financial advice.

## 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 document 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

Japan All Cap is a regional equity strategy that aims to produce above average long-term performance through investment in Japanese equities with a market cap of greater than ¥75bn. 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	63
Typical Number of Holdings	45-65
Active Share	81%*
Annual Turnover	11%

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

Taking stock: cyclical boosts are giving way to structural undercurrents.

Digitalisation, Asian consumption, and gaming/IP are reshaping the investment landscape.

In 'The Long Game: Engagement and Activism in Japan', we reframe corporate reform as a catalyst for sustained growth.



## Baillie Gifford Key Facts

Assets under management and advice	\$286.9bn
Number of clients	552
Number of employees	1655
Number of investment professionals	365

Last year, in the paper *‘Japan: the next opportunity’*, we highlighted structural undercurrents with the potential to reshape the market. Twelve months on, many of those forces are beginning to deliver, taking on a greater share of market returns - a shift that has helped our portfolio pull ahead of the benchmark both for the quarter and year-to-date.

This quarter, we review how the tides are shifting and what that means for portfolio performance. Our conclusion remains consistent: while cyclical tailwinds still grab attention, their influence is waning, giving way to the enduring pull of Japan’s structural growth drivers.

### Accelerating structural trends

Several central themes were identified as key drivers of portfolio performance last year. Here, we review a few that have had a notable impact on performance: digitalisation, Asian consumption, and gaming - a new theme that has emerged as central to the portfolio and emblematic of Japan’s unique opportunities.

### Disruptive Digitalisation Matters.

Two significant holdings, central to driving recent returns - SoftBank and SBI Holdings - exemplify how digital solutions are emerging as an overlooked but powerful driver of change in Japan.

**SoftBank**’s resurgence has been supercharged by its positioning at the heart of the AI revolution. Its dominant stake in ARM - whose chips power nearly every smartphone and half of all CPUs globally - is moving beyond low-value licensing toward greater control of the compute stack, with the new v9 architecture already driving faster royalty growth from hyperscale cloud providers. Add to this a major stake in OpenAI (sitting within a revitalised Vision Fund alongside other winners like ByteDance), and the redeployment of mature telecom cashflows into next-generation AI infrastructure bets, and SoftBank now looks less like a legacy tech conglomerate and more like a levered play on the defining platform shift of this era. Our recent discussion with Goto-San, Masayoshi Son’s right-hand man, underscored just how central SoftBank intends to be in shaping the AI epoch.

Japan’s leading financial disruptor, **SBI Holdings**, has also been racing ahead, with the share price surging on the back of record fundamentals – with quarterly pre-tax profit up 75%, reaching new highs. Yet the biggest catalyst still lies ahead: the planned IPO of **Shinsei Bank**, once the failed Long-Term Credit Bank of Japan, now transformed under SBI’s stewardship. Since taking

control, SBI has doubled operating assets, lifted deposits 2.3x, quadrupled net income, and boosted ROE by 6.6 percentage points to ~9% (an impressive feat in an industry plagued by structural impediments and bloated cost structures). Having acquired Shinsei for ¥570bn in 2023, they now aim to relist it as Japan’s “fourth megabank” at a valuation of around ¥1.5tn - a scale that would rival SBI’s own ¥2.2tn market cap. Our meetings this quarter with SBI CFO Yasuo Nishikawa and Shinsei President Katsuya Kawashima highlighted the ambition and confidence of management in unlocking this next phase of growth.

Together, these examples capture the technological potential driving change beneath Japan’s corporate veneer.

### Maintaining Access to the Asian Growth Story

Asia remains a powerful secular engine for the portfolio, underpinned by expanding middle-class demand, infrastructure investment, and a steady shift toward higher-value products and services. In the near term, however, many holdings have been challenged by the sharper cost-consciousness that has taken hold in China.

**Sysmex**, a global leader in haematology equipment, has been one of the portfolio’s weakest performers this quarter, with its share price sliding in step with softer earnings. Despite a challenging first quarter, management has reaffirmed full-year guidance, reflecting confidence in a second-half recovery. As Iain Campbell noted in his September meeting, China - which represents ~25% of sales - has endured six years of headwinds, from “buy China” directives to anti-corruption campaigns and inventory overhang. Encouragingly, conditions there are starting to stabilise, while growth in other markets such as India is accelerating, and in the US, the shift to a direct sales model is helping win market share. With cost pressures easing and margins expected to recover toward 20%, Sysmex is well-positioned for an inflection. Importantly, the company is evolving beyond in vitro diagnostics toward the broader healthcare continuum - spanning prevention, prognosis, and treatment - and doing so in markets with vast headroom for growth. To put it in perspective, per capita healthcare spending in India is roughly 1/60th of Japan’s, highlighting the scale of the long-term opportunity.

From medical testing to decorating, **Nippon Paint** has also stumbled. The company remains the dominant consumer paint brand in China’s top four “tier 0” cities - Beijing, Shanghai, Guangzhou, and Shenzhen - as well as across 50-60 of its next biggest cities. Yet despite solid growth in operating profit, results fell shy of market expectations as China’s decorative and industrial

segments remain weak. Sentiment was further weighed by the passing of Goh Cheng Liang, a pivotal figure in the group's regional expansion. Again, the long-term case remains intact: often called the "Sherwin-Williams of Asia," Nippon is poised to benefit from structural demand for repainting and renovation as new-build housing slows. With a total housing stock in China of approximately 13.4 billion square meters (a conservative 10x the total residential floor space of the UK) the addressable market is vast. Its distinctive "asset assembler" model - a decentralised, partnership-driven strategy that preserves local autonomy while leveraging entrepreneurial talent - has underpinned a string of successful acquisitions (from DuluxGroup through to the integration of the Wuthelam Group) and adds another competitive layer to the company. This approach has enabled Nippon to expand into adjacent markets and build one of the most powerful distribution networks across the region.

Pivoting to **SMC**, the company remains at the centre of machine movement, with roughly 35% of the global pneumatic control equipment market. Despite this dominant position, it has faced a third straight year of pressure as two of its largest end-markets - semiconductors and autos - remain weak. Semiconductor customers, particularly in memory, have sharply curtailed capex, while auto demand has been constrained by the EV transition and the glut of Chinese production. These headwinds have weighed on earnings, yet SMC has successfully defended its global share against rivals like Airtac. At the same time, management are pressing ahead with "self-help" initiatives - upgrading logistics, CRM, and IT systems, and working more closely with distributors to improve working capital efficiency. They are also leaning into the future: capex guidance has been raised to a record ¥180bn, including over ¥100bn for a new R&D centre, underlining their confidence and determination to invest through the cycle rather than wait for it to turn.

Together, these names underline the dichotomy of Asia exposure today: short-term volatility and cyclical headwinds, set against powerful secular trends in healthcare, housing, and industrial upgrading. The Japanese team's conviction remains firm - these companies combine scale, market leadership, and structural demand tailwinds that underpin their long-term compounding potential.

### Turning the Tap on Manga.

Another exciting portfolio theme that has moved into focus is gaming. **Nintendo** sits at the centre of this opportunity. While the stock has given back some gains

this quarter, its strong run year-to-date reflects the company's ingenuity in evolving the console platform - expanding margins through higher price points, better back-catalogue compatibility, and stronger third-party applications. The newly launched Switch 2 has already become its fastest-selling console ever. What remains largely absent from consensus, however, is an appreciation of the latent value in Nintendo's evergreen franchises - Mario, Zelda, and Donkey Kong - as they increasingly shift into recurring monetisation mode. At September's *Nintendo Direct*, coinciding with the 40th anniversary of Super Mario Bros, the company unveiled what looks like the beginning of an annual film cadence: *Super Mario Galaxy* (2026), a Zelda feature slated for 2027, and trademarks already registered for a Donkey Kong release in 2028. Given that the 2023 Mario movie cost ~\$100m to produce yet grossed over \$1.3bn, the potential for Nintendo to evolve from a hardware cycle-bound company into a more Disney-like IP powerhouse is clear.

And this is not an isolated story. Gaming is no longer a niche subculture; it has become mainstream global entertainment and Japan's most valuable cultural export. Anime is Netflix's fastest-growing genre; **Sony's** *Demon Slayer* shattered box office records for the genre, surpassing Pokémon's 1999 movie record; and Netflix's K-pop demon hunters project has become its most-watched original film of all time. Japan's creative IP is going global at speed and companies like Nintendo are positioned to turn cultural heritage into enduring value.

### The Cyclical Backdrop: Still Noisy

These structural growth stories have at times struggled to pierce the macro veil that surrounds Japan, yet their momentum is steadily building. Meanwhile, whilst cyclical factors still dominate the headlines, their sway is fading as the economic and monetary overhang from Covid recedes. The auto sector - long a cornerstone of Japan's market returns - offers the best illustration of this transition.

Autos remain Japan's largest industry, anchored by its biggest company and employing nearly a tenth of the workforce. The sector became a quintessential beneficiary of the ramp-up in volumes and currency dislocations experienced post-COVID. Take Toyota's RAV4 - its most popular US car - as an example. Retailing at \$30,000, this model would have earned the company ¥3.3m in 2021, but a staggering ¥4.7m at last year's exchange rates. That windfall also extended to Japan's megabanks, where Mitsubishi UFJ's legacy stake in Morgan Stanley began to contribute 30-40% of group profits.



But the free lunch is over. Having peaked above ¥161 to the dollar last year, the yen has begun to recover, bringing an end to its five-year decline. With the currency still deeply undervalued and the weakest among the G10, and with rate differentials set to narrow as US policy eases while Japan tightens, the likelihood of further appreciation remains high. This threatens to erode the inflated margins of Japan's cyclical exporters. For automakers, this challenge is compounded by intensifying competition from Chinese OEMs such as BYD, which is now outselling Toyota in EVs in its own backyard. Reflecting these pressures, autos have shifted from top-performer to one of the weakest sectors year-to-date.

### Reframing Corporate Governance Reform

Japan's "value" trade has also been fuelled by corporate reform. Over the past five years, governance initiatives - from reducing cross-shareholdings and ramping up buybacks - unlocked latent value in a market where nearly 60% of TOPIX companies were net cash and half traded below book. Share repurchases surged as a result, with TSE data showing ¥2.8 trillion in 2023, ¥4.5 trillion in 2024, and ¥7.6 trillion in the first eight months of this year, reflecting a sustained 70% year-on-year growth pace. Yet the pool of opportunities has shrunk; only about a quarter of companies now trade below book; even the megabanks - Mitsubishi UFJ, Mizuho, and SMFG - trade above book. This matters because buybacks are most accretive when shares trade at a discount, effectively buying ¥1 for less. At higher valuations, indiscriminate repurchases risk destroying value rather than creating it.

Therefore, the next leg of equity returns must come from real earnings growth, capital efficiency, and disciplined reinvestment, not financial engineering. The governance story is no longer about quick fixes or saving face for the salaryman; it is about unleashing long-term growth potential. Progress will likely be broad-based but gradual as cultural and managerial inertia adjust.

To explore this further, we have drawn on Donald's 37 years of experience in a paper, *'The Long Game: Engagement and Activism in Japan'*. The paper chronicles how Japan's corporate landscape - shaped by cartels, clustered AGMs, and deeply rooted cultural practices - is evolving, and why patient, culturally attuned engagement is now unlocking genuine value. This shift makes today potentially the most exciting moment for Japan in decades.

### Conclusion

Japan remains one of the most attractive global allocations, with an earnings yield well above Europe and the US. More importantly, structural drivers - digitalisation, Asia's rising consumption, and the globalisation of Japanese IP - are beginning to outweigh fading cyclical tailwinds. Companies like SoftBank, SBI, Sysmex, Nippon Paint, SMC, and Nintendo highlight how ambition, innovation, and cultural reach are reshaping Japan's corporate landscape. The message is clear: the easy cyclical gains are behind us, and it is structural undercurrents that are now powering the next wave of long-term returns.

## 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 Gross (%)	Composite Net (%)	Benchmark (%)	Difference Net (%)	Difference Gross (%)
3 Months	12.6	12.5	10.5	+1.9	+2.1
1 Year	17.3	16.6	17.3	-0.7	-0.0
3 Year	10.1	9.4	14.3	-4.9	-4.2
5 Year	4.1	3.5	8.4	-4.9	-4.3
10 Year	10.4	9.7	9.9	-0.2	+0.5
Since Inception	6.5	5.9	2.3	+3.6	+4.2
USD	Composite Gross (%)	Composite Net (%)	Benchmark (%)	Difference Net (%)	Difference Gross (%)
3 Months	10.6	10.5	8.6	+1.9	+2.0
1 Year	17.7	17.0	17.7	-0.7	-0.0
3 Year	17.2	16.5	21.7	-5.2	-4.5
5 Year	4.9	4.3	9.2	-4.9	-4.3
10 Year	9.1	8.4	8.6	-0.2	+0.5
Since Inception	5.9	5.3	1.7	+3.6	+4.2
EUR	Composite Gross (%)	Composite Net (%)	Benchmark (%)	Difference Net (%)	Difference Gross (%)
3 Months	10.5	10.4	8.5	+1.9	+2.0
1 Year	11.8	11.1	11.8	-0.7	-0.0
3 Year	10.3	9.6	14.5	-4.9	-4.2
5 Year	4.9	4.3	9.2	-4.9	-4.3
10 Year	8.5	7.9	8.0	-0.2	+0.5
Since Inception	5.7	5.0	1.6	+3.5	+4.1
CAD	Composite Gross (%)	Composite Net (%)	Benchmark (%)	Difference Net (%)	Difference Gross (%)
3 Months	12.8	12.7	10.7	+1.9	+2.1
1 Year	21.2	20.5	21.3	-0.8	-0.0
3 Year	17.7	17.0	22.2	-5.2	-4.5
5 Year	5.8	5.2	10.1	-5.0	-4.4
10 Year	9.5	8.8	9.0	-0.2	+0.5
Since Inception	6.5	5.9	2.3	+3.6	+4.2
AUD	Composite Gross (%)	Composite Net (%)	Benchmark (%)	Difference Net (%)	Difference Gross (%)
3 Months	9.4	9.2	7.4	+1.9	+2.0
1 Year	23.2	22.5	23.2	-0.8	-0.0
3 Year	16.0	15.3	20.5	-5.1	-4.4
5 Year	6.6	5.9	11.0	-5.0	-4.4
10 Year	9.7	9.0	9.2	-0.2	+0.5
Since Inception	6.4	5.8	2.2	+3.6	+4.2

Annualised periods ended 30 September 2025. 3 Month & 1 Year figures are not annualised.

Inception date:

Figures may not sum due to rounding.

Benchmark is TOPIX.

Source: Revolution, Japan Exchange Group.

The Japan All Cap composite is more concentrated than the TOPIX.



## Discrete Performance

<b>GBP</b>	<b>30/09/20- 30/09/21</b>	<b>30/09/21- 30/09/22</b>	<b>30/09/22- 30/09/23</b>	<b>30/09/23- 30/09/24</b>	<b>30/09/24- 30/09/25</b>
Composite Net (%)	13.4	-20.2	1.9	10.4	16.6
Benchmark (%)	15.6	-13.5	15.1	10.7	17.3
<b>USD</b>	<b>30/09/20- 30/09/21</b>	<b>30/09/21- 30/09/22</b>	<b>30/09/22- 30/09/23</b>	<b>30/09/23- 30/09/24</b>	<b>30/09/24- 30/09/25</b>
Composite Net (%)	18.2	-34.0	11.4	21.4	17.0
Benchmark (%)	20.6	-28.4	25.9	21.6	17.7
<b>EUR</b>	<b>30/09/20- 30/09/21</b>	<b>30/09/21- 30/09/22</b>	<b>30/09/22- 30/09/23</b>	<b>30/09/23- 30/09/24</b>	<b>30/09/24- 30/09/25</b>
Composite Net (%)	19.6	-21.9	3.1	15.1	11.1
Benchmark (%)	22.0	-15.3	16.5	15.4	11.8
<b>CAD</b>	<b>30/09/20- 30/09/21</b>	<b>30/09/21- 30/09/22</b>	<b>30/09/22- 30/09/23</b>	<b>30/09/23- 30/09/24</b>	<b>30/09/24- 30/09/25</b>
Composite Net (%)	12.1	-28.4	9.6	21.3	20.5
Benchmark (%)	14.4	-22.4	23.9	21.5	21.3
<b>AUD</b>	<b>30/09/20- 30/09/21</b>	<b>30/09/21- 30/09/22</b>	<b>30/09/22- 30/09/23</b>	<b>30/09/23- 30/09/24</b>	<b>30/09/24- 30/09/25</b>
Composite Net (%)	17.3	-25.8	11.0	12.9	22.5
Benchmark (%)	19.7	-19.6	25.4	13.1	23.2

Benchmark is TOPIX.

Source: Revolution, Japan Exchange Group.

The Japan All Cap composite is more concentrated than the TOPIX.

## Stock Level Attribution

## Top and Bottom Ten Contributors to Relative Performance

## Quarter to 30 September 2025

Stock Name	Contribution (%)
SoftBank Group	3.7
SBI Holdings	0.8
Tokyo Electron	0.5
Hitachi	0.4
Rakuten	0.4
Sumitomo Metal Mining Co Ltd	0.3
Fast Retailing	0.2
Murata	0.1
Seven & I Holdings Co Ltd	0.1
Kansai Paint	0.1
GMO Internet	-0.3
Mitsubishi UFJ Fin Grp	-0.3
Sysmex Corp	-0.3
MonotaRO Co	-0.3
Nintendo	-0.3
Nippon Paint	-0.3
Unicharm	-0.3
SMC	-0.3
DMG Mori	-0.2
Shimano	-0.2

## One Year to 30 September 2025

Stock Name	Contribution (%)
SoftBank Group	4.7
SBI Holdings	2.3
CyberAgent Inc	1.4
Nintendo	0.9
Topcon Corp	0.8
GMO Internet	0.7
Daiichi Sankyo Company	0.5
Shin-Etsu Chemical	0.5
Tokyo Electron	0.4
Sumitomo Mitsui Trust	0.4
Unicharm	-1.1
Mitsubishi UFJ Fin Grp	-1.0
Rakuten	-0.8
Shiseido	-0.7
Kose Corp.	-0.6
Calbee Inc	-0.6
Japan Exchange Group	-0.6
Tsumura	-0.5
Mitsubishi Heavy Industries	-0.5
Misumi	-0.5

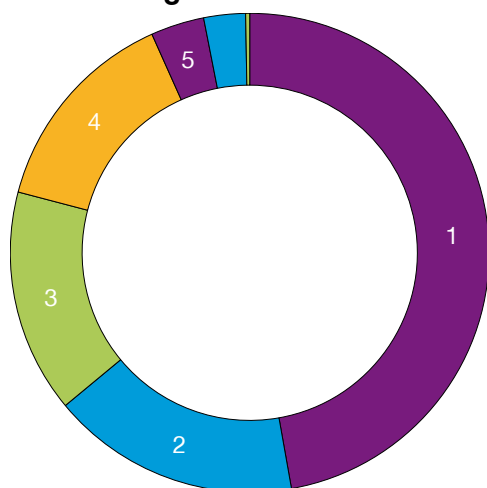
Source: Revolution, Japan Exchange Group. Japan All Cap composite relative to TOPIX.

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	8.9
SBI Holdings	Online financial services	5.6
Sumitomo Mitsui Trust	Japanese trust bank and investment manager	5.3
Rakuten	Internet retail and financial services	4.7
CyberAgent	Japanese internet advertising and content	4.3
Sony	Consumer electronics, films and finance	3.9
GMO Internet	Internet conglomerate	3.6
Nintendo	Gaming consoles & software	3.2
Bridgestone	Tyre manufacturer	2.7
MS&AD Insurance	Japanese insurer	2.2
Total		44.4

## Sector Weights



	%
1 Manufacturing	47.2
2 Transport And Communications	16.8
3 Finance & Insurance	15.1
4 Services	14.2
5 Commerce	3.6
6 Real Estate	2.8
7 Cash	0.3

Figures may not sum due to rounding.

Voting Activity

Votes Cast in Favour		Votes Cast Against		Votes Abstained/Withheld	
Companies	1	Companies	1	Companies	None
Resolutions	7	Resolutions	1	Resolutions	None

Company Engagement

Engagement Type	Company
Governance	Fanuc Corporation, Kao Corporation, Nakanishi Inc., Nidec Corporation, SBI Holdings, Inc., Tokyo Metro Co., Ltd., freee K.K.
Strategy	Kao Corporation

Company	Engagement Report
Kao Corporation	<p>Objective: We met with Eriko Sakurai, independent outside director at Kao, as part of the company's outreach to investors. Our aim was to explain our voting approach, understand board dynamics following a contentious annual general meeting (AGM), and encourage greater ambition in Kao's strategic and financial targets.</p> <p>Discussion: We were pleased to hear that the board had received our letter sent after the AGM and appreciated the explanation of our voting rationale. Sakurai-san provided a helpful assessment of board composition and evolution. Since joining in 2022, she has championed the introduction of a formal chief financial officer (CFO) role and supported price increases in response to rising input costs. Her global perspective, informed by Western corporate practices, has been influential in improving financial discipline. Recent board changes include the appointment of Takaaki Nishii, credited with turning around Ajinomoto, to bolster financial oversight, and two new directors to strengthen brand positioning and internationalisation.</p> <p>Reflecting on the AGM and the activist Oasis' proposals, Sakurai-san explained that the board had interviewed most of Oasis' nominees but felt some overlap in skills and misalignment with Kao's needs. We pressed for greater ambition in Kao's midterm plan, noting that current return on invested capital (ROIC) targets are lower than in the past. Sakurai-san agreed that stronger targets would signal confidence but linked the caution to Japanese corporate conservatism. While the K27 plan will not be revised, she shared that efficiency and ROIC considerations are embedded in operational culture. On remuneration, we highlighted concerns over the high fixed component, which may understate ambition. Structural changes are unlikely before the next plan cycle.</p> <p>Outcome: The meeting strengthened our relationship with Kao's board and confirmed alignment on the need for greater ambition in strategic and financial goals. Although near-term change is constrained by the current midterm plan, our views were well received, laying the groundwork for future influence as the next plan and remuneration structures are developed.</p>
SBI Holdings, Inc.	<p>Objective: During a meeting with SBI Holdings' chief financial officer, Yasuo Nishikawa, we discussed succession planning. With chief executive Yoshitaka Kitao, now 73, the discussion centred on how leadership transition is being managed and how future generations are being prepared to take on meaningful roles.</p> <p>Discussion: Succession is actively debated within SBI, though no single candidate has been positioned as the obvious successor. While senior executives who have worked alongside Kitao-san remain part of the conversation, greater emphasis is on developing younger leaders who can sustain and evolve the company's philosophy over the long term. The holding company structure has widened opportunities, with subsidiaries sometimes led by managers in their 30s. Two recent board appointments below the age of 50 also highlight efforts to accelerate generational renewal. We were told Kitao-san spends considerable time mentoring younger colleagues, often giving weight to their perspectives over those of senior executives. Such openness challenges the traditional hierarchical culture in Japan and helps embed long-term thinking into company practice.</p> <p>Outcome: The meeting provided some additional detail on how succession was being considered at SBI. SBI's willingness to empower younger managers points to a governance culture that values adaptability and long-term stewardship.</p>

## Votes Cast in Favour

Companies	Voting Rationale
freee K.K.	We voted in favour of routine proposals at the aforementioned meeting(s).

## Votes Cast Against

Company	Meeting Details	Resolution(s)	Voting Rationale
freee K.K.	AGM 26/09/25	4	We opposed the equity incentive plan due to concerns over a significant package of the outside directors being in the form of restricted shares, which may lead to independent directors being conflicted.

## 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
Tokyo Electron	Tokyo Electron is a semiconductor production equipment company. Its equipment is used at various stages throughout the semiconductor manufacturing process including etching and deposition. There are a number of structural trends which should support long-term revenue and profit growth. The proliferation of semiconductors across both consumer and industrial end markets and their increasing complexity means more broad-based demand for Tokyo Electron's leading-edge equipment. This combined with its scale and R&D know-how makes it well placed with an entrenched competitive position. More recently the share price has been weak on short-term cyclical concerns and therefore presented an attractive entry point.

## Complete Sales

Stock Name	Transaction Rationale
Rohm	Rohm is a Japanese manufacturer of high-end semiconductors. We had been excited about the prospects for the company in silicon carbide (SiC) chips in the power electronics market. Rohm was an early leader in this area and invested heavily in it. At first we believed that barriers to entry would be high but as the market has developed it has become clearer that competitors have been able to make progress by re-purposing old equipment initially used to manufacture silicon wafers. Given this deterioration in our assessment of the company's edge and therefore the long-term investment case we decided to sell the holding.



---

**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.