

Fund objective

To outperform (after deduction of costs) the TOPIX, as stated in sterling, by at least 1.5% per annum over rolling five-year periods.

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

Our objective is to produce above-average long-term performance through investment in Japanese equities. 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. Over time we expect this approach to generate better returns than the Japanese market. In contrast to other major markets, growth often commands little or no valuation premium in Japan, and we continue to identify global leading businesses which trade on a substantial discount to their peers. This provides an excellent backdrop for our investment style.

Periodic performance

	3 Months	1 Year	3 Years (p.a.)	5 Years (p.a.)
Class B-Acc (%)	12.1	16.2	9.0	3.3
Index (%)*	10.5	17.3	14.3	8.4
Target (%)**	11.0	19.1	16.1	10.0
Sector Average (%)***	9.4	15.9	12.7	7.2
Sector Ranking	17/103	44/102	79/98	80/93

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-Acc (%)	12.4	-19.3	0.6	10.8	16.2
Index (%)*	15.6	-13.5	15.1	10.7	17.3
Target (%)**	17.4	-12.2	16.9	12.4	19.1
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 1.5% per annum over rolling five-year periods.

***IA Japan Sector.

Fund facts

Managers	Matt Brett* / Jared Anderson
Fund launch date	08 October 1984
Fund Size	£1,148.09m
IA Sector	Japan
Active share	81%†
Annual turnover	11%
Guideline number of holdings	45-65
Number of holdings	63
Structure	OEIC

*Partner.

†Relative to TOPIX (in sterling).

Source: Baillie Gifford & Co, Japan Exchange Group.

Top ten holdings

Holdings	% Total assets
SoftBank Group	8.9
SBI Holdings	5.6
Sumitomo Mitsui Trust	5.3
Rakuten	4.7
CyberAgent	4.3
Sony	3.9
GMO Internet	3.6
Nintendo	3.2
Bridgestone	2.7
MS&AD Insurance	2.2

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	0.3
Sumitomo Metal Mining Co Ltd	0.3
Fast Retailing	0.2
Murata	0.1
Seven & I Holdings Co Ltd	0.1
Eisai	0.1
GMO Internet	-0.3
Mitsubishi UFJ Fin Grp	-0.3
Sysmex Corp	-0.3
Nippon Paint	-0.3
Nintendo	-0.3
MonotaRO Co	-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. Baillie Gifford Japanese 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	47.2	51.5	-4.3
Transport And	16.8	11.5	5.3
Finance & Insurance	15.1	15.0	0.1
Services	14.2	4.1	10.1
Commerce	3.6	11.8	-8.2
Real Estate	2.8	2.0	0.8
Cash	0.3	0.0	0.3

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 31.5bn	GBP 45.2bn
Price/Book	1.8	1.4
Price/Earnings (12 months forward)	15.6	14.9
Earnings Growth (5 year historic)	3.6%	7.3%
Return on Equity	10.9%	9.9%
Predicted Beta (12 months)	1.0	N/A
Standard Deviation (trailing 3 years)	9.8	8.5
R-Squared	0.7	N/A
Delivered Tracking Error (12 months)	5.4	N/A
Sharpe Ratio	1.4	1.9
Information Ratio	0.0	N/A
Number of geographical locations	1	N/A
Number of sectors	6	N/A
Number of industries	21	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

Strong performance in Q3 came from **SoftBank** and **SBI Holdings**. Investment holding company SoftBank continued to benefit from investor enthusiasm around its exposure to AI, anchored by its 90% stake in Arm and a significant holding in OpenAI. Both positions sit at the core of the AI revolution, driving a sharp re-rating of the shares. Our September meeting with CFO Goto-san reinforced how determined SoftBank is to remain central in shaping this epochal shift. Online financial service company **SBI Holdings** also rallied on robust results, with pre-tax income up 75% and net income up 296%, supported by gains in the fair value of private equity investments. Fund activity also contributed: the post-results purchase of semiconductor production equipment manufacturer **Tokyo Electron**, which initially sold off on concerns over Chinese demand and capex cuts from Intel and Samsung, proved timely as the stock rebounded strongly thereafter. Detractors included **Sysmex**, **Nippon Paint**, and **SMC**, all weighed down by their China exposure. **Sysmex**, a leader in in-vitro diagnostics and haematology analysers declined on softer earnings, though management reaffirmed guidance and expects margins to recover as conditions stabilise later in the year. **Nippon Paint** slipped as decorative and industrial demand in China remained weak, but its dominant market share and proven "asset assembler" model continue to underpin the long-term case. Pneumatic equipment

company **SMC** remained under cyclical pressure from weak semiconductor and auto demand, though early signs of recovery in China are emerging. Importantly, the company is positioning itself for the next upcycle by stepping up investment, including ¥100bn for a new R&D centre.

Notable transactions

During the quarter we initiated a position in **Tokyo Electron**, one of the world's "big five" semiconductor equipment makers. The company has broad exposure across the chip manufacturing process, with particular strength in etching and deposition. Its breadth of offering provides multiple growth engines - from Moore's Law scaling to system-level integration, where advanced packaging is emerging as the key chokepoint for AI performance. Leadership in cryogenic etch and atomic layer deposition positions Tokyo Electron to outpace industry growth as wafer process intensity continues to rise. This was funded from the sale of **Rohm**, which continues to struggle with ongoing issues related to its silicon carbide business.

Market Outlook

We continue to see significant return potential for long-term growth investing in Japan. By backing companies with durable, secular earnings growth stories - rather than those dependent on ephemeral cyclical upside - we believe the fund is well positioned to deliver sustained outperformance in the years ahead

Transactions from 01 July 2025 to 30 September 2025.

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.

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

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	8.9
SBI Holdings	5.6
Sumitomo Mitsui Trust	5.3
Rakuten	4.7
CyberAgent	4.3
Sony	3.9
GMO Internet	3.6
Nintendo	3.2
Bridgestone	2.7
MS&AD Insurance	2.2
Recruit Holdings	2.2
FANUC	2.2
Keyence	2.0
Kao	1.9
Unicharm	1.9
Japan Exchange Group	1.9
SMC	1.8
Kubota	1.8
MISUMI	1.7
Sumitomo Metal Mining	1.7
Eisai	1.7
Kansai Paint	1.6
Murata Manufacturing	1.5
Pola Orbis	1.5
M3	1.3
Calbee	1.3
Kyocera	1.3
Nippon Paint	1.3
Tokyo Electron	1.3
Sugi Holdings	1.2
Shimano	1.2
Daikin Industries	1.2
Tsumura	1.1
Kose Corporation	1.0
Olympus	1.0
DMG Mori	1.0
Shiseido	1.0
Mitsubishi Estate	1.0
PARK24	0.9
COLOPL	0.9
Wacom	0.9
Tokyo Tatemono	0.9
Sysmex	0.8
Money Forward	0.8
Nidec Corporation	0.7
MonotaRO	0.7
Tokyo Metro	0.6
freee K.K	0.6

Asset name	Fund %
Sega Sammy	0.6
Kakaku.com	0.6
Nippon Electric Glass	0.6
Pigeon	0.5
Square Enix	0.5
Bengo4.com	0.4
Nihon M&A	0.4
Nakanishi	0.4
Asahi Group	0.3
Broadleaf	0.3
LY Corporation	0.3
PeptiDream	0.3
Infomart	0.2
BASE	0.2
Sony Financial	0.2
Cash	0.3
Total	100.0

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Share class	Share class inception date	ISIN	SEDOL	Annual management fee (%)	Ongoing charge figure (%)
Class B-Acc	02 August 1999	GB0006011133	0601113	0.60	0.63
Class B-Inc	08 October 1984	GB0006010945	0601094	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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