

Annual Report and
Financial Statements

31 January 2025

Baillie Gifford Shin Nippon PLC

Managed by

Baillie Gifford™

Investor disclosure document

The UK Alternative Investment Fund Managers Regulations require certain information to be made available to investors prior to their making an investment in the Company. The Company's Investor Disclosure Document is available for viewing at shinnippon.co.uk.

Notes

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

Investment trusts are UK public listed companies and as such comply with the requirements of the Financial Conduct Authority ('FCA'). They are not authorised or regulated by the FCA.

Baillie Gifford Shin Nippon PLC currently conducts its affairs, and intends to continue to conduct its affairs, so that the Company's ordinary shares can qualify to be considered as a mainstream investment product and can be recommended by Independent Financial Advisers (IFAs) to ordinary retail investors in accordance with the rules of the FCA in relation to non-mainstream investment products.

This document is important and requires your immediate attention.

If you reside in the United Kingdom and you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately. If you are outside the United Kingdom you should consult an appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your ordinary shares in Baillie Gifford Shin Nippon PLC, please forward this document, together with accompanying documents, but not your personalised Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.

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Financial highlights

Year to 31 January 2025

Total returns*

Share price

(5.0%)

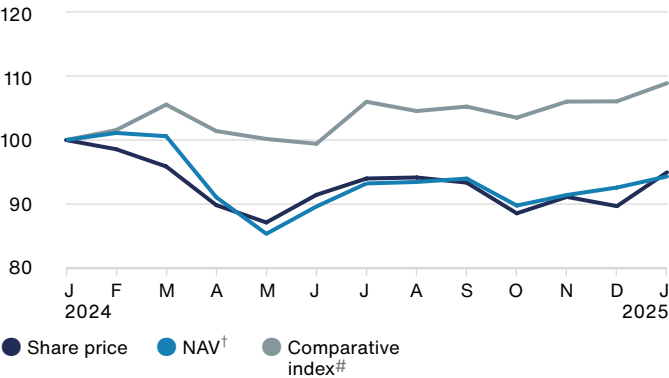
NAV†

(5.1%)

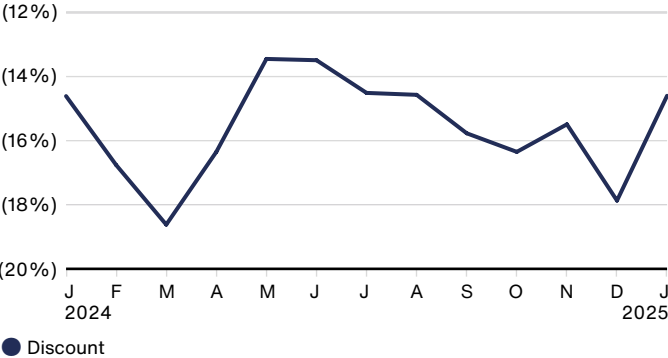
Comparative index#

8.9%

NAV, share price and comparative index
(figures rebased to 100 at 31 January 2024)



Discount*
(plotted as at month end dates)



† Net asset value per share ('NAV') with borrowings at fair value. At 31 January 2025 the NAV with borrowings at fair value was the same as the NAV with borrowings at book value. For a definition of terms see Glossary of terms and alternative performance measures on pages 129 to 132.

* Alternative Performance Measure – see Glossary of terms on pages 129 to 132.

The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms).

Source: LSEG/Baillie Gifford and relevant underlying index providers. See disclaimer on page 127.

Past performance is not a guide to future performance.



An introduction to Baillie Gifford Shin Nippon PLC

Investing in new
opportunities in Japan.

Shin Nippon's objective
is to pursue long term
capital growth through
investment principally in
small Japanese companies
which are believed to have
above average prospects
for growth.

Japan is the world's third largest economy, home to unique technologies and an emerging class of digital disruptors. Our patient long-term approach allows us to benefit from those at the vanguard of innovation and entrepreneurialism. There are plenty of examples to be found in areas such as robotics and automation, or in the manufacturing of complex electronic components, where Japan retains its technical edge. Less obvious, are the emerging class of entrepreneurs that are helping the country tackle its digital transition. Japan is also home to some of the world's best-known brands, many of which are primed to benefit from the premiumisation trend within Asia, from rising wealth across the region. These are just some of the opportunities emerging for selective bottom-up stock pickers within Japan.

Time is our greatest asset

Adopting a long-term approach allows us to frame investment opportunities differently to the rest of the market. We consider the unique attractions of individual companies, and we do so over five-year time periods and beyond. This long-term focus enables us to forgo the short-term fluctuations of markets, cycles and share prices – to unearth exploitable and under appreciated opportunities that will ultimately deliver long-term outperformance.

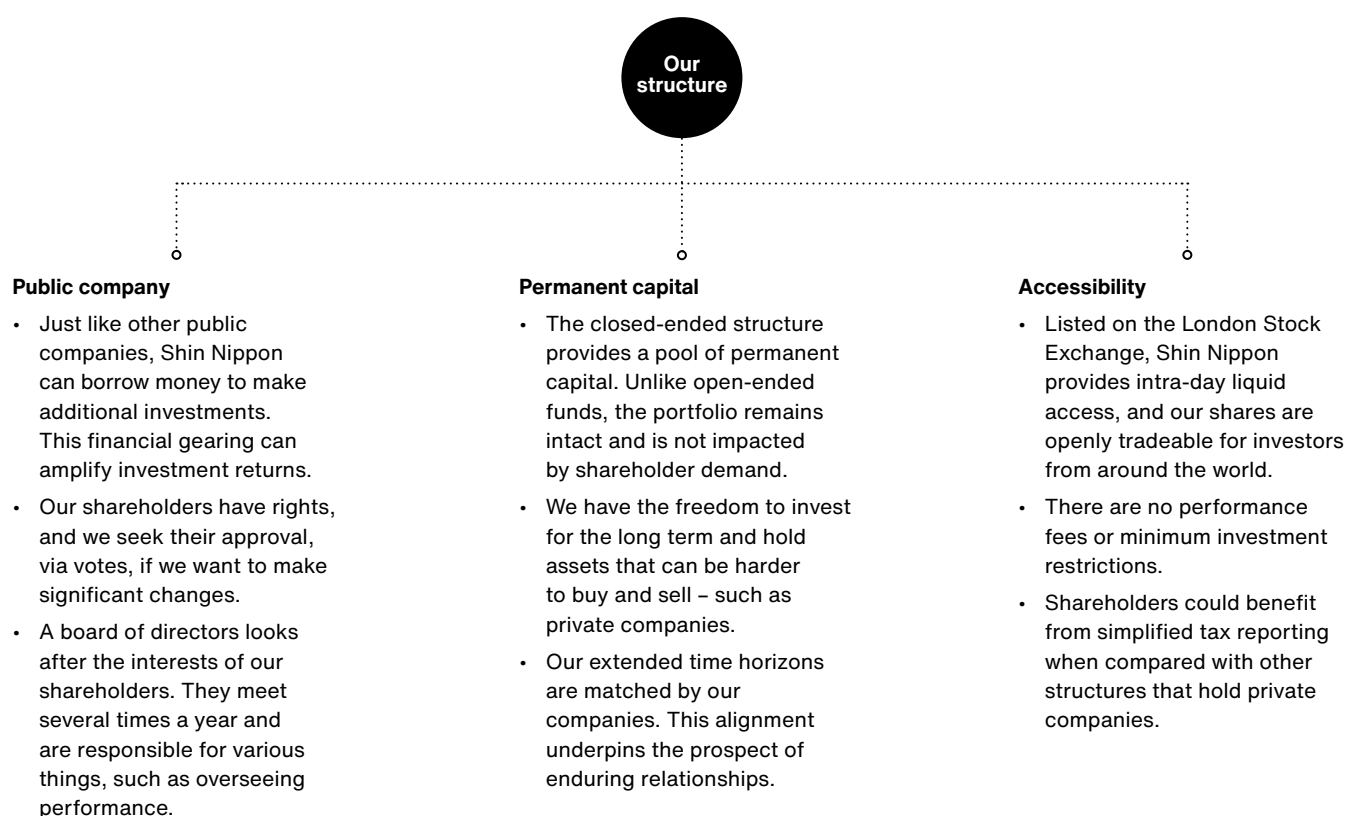
Flexible approach to growth investing

Growth can come in various guises, from companies of all shapes and sizes. As such our portfolio is built, from the bottom-up, with a diversified mix of companies from across many sectors and industries.

The commonality is that each investment must present a plausible pathway to doubling in value over a five-year period. Of course, there are various ways to climb a mountain – be that through a gradual

(compounding) approach, or via a more vertical (exponential) axis.

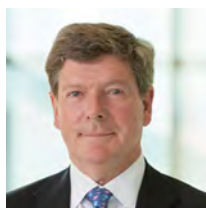
By focusing on businesses with attractive structural growth opportunities, with strong and sustainable competitive positions, high-quality earnings and aligned management we will optimise our exposure to Japan's best of breed growth opportunities.



Strategic report

This strategic report, which includes pages 6 to 59 and incorporates the Chair's statement has been prepared in accordance with the Companies Act 2006.

Chair's statement



Jamie Skinner

Chair

Appointed 2018

Chair in 2023

Performance

I am disappointed to report that performance for the Shin Nippon investment trust remains demonstratively poor despite the companies in which the trust is invested having grown their sales more than 6% per annum faster than the reference index over the last five years. Valuations rather than fundamental growth have had a far more significant impact on our overall returns.

Over the year to 31 January 2025, the Company's net asset value ('NAV') total return was negative 5.1% and its share price total return was negative 5.0%. The comparative index (MSCI Japan Small Cap Index, total return in sterling terms) was positive 8.9%.

As highlighted in previous reports, your Board has determined that performance should be measured principally over rolling five-year periods to reflect the Managers' time horizon for investment. Over the five years to 31 January 2025, the Company's NAV total return was negative 18.8% and its share price total return was negative 29.7%. The Company's comparative index total return over the same period was positive 23.4%. Much of the underperformance has occurred over the past three years when the Company's NAV total return was negative 20.2% against the comparative index total return of positive 22.3%.

The Managers' report on pages 11 to 15 goes into significantly more detail on the main drivers of portfolio performance during the period.

* After deducting borrowings at fair value. For a definition of terms see Glossary of terms and Alternative Performance Measures on pages 129 to 132.

Source: LSEG/Baillie Gifford and relevant underlying index providers. See disclaimer on page 127.

Past performance is not a guide to future performance.

Given the extent of the underperformance in recent years, and the negative impact that this has had on the share price discount, the Board has accelerated the rate of share buybacks, engaged with shareholders and undertook a thorough performance review at its strategy meeting in November. Each of these topics is covered in more detail below, together with actions the Board has taken as a result. I have also included a reminder of the performance based tender that was introduced last year.

Discount and Share Buybacks

As at 31 January 2025, the Company's share price stood at a 14.6% discount to NAV, the same level as at 31 January 2024. Over the year, the Company has bought back approximately 30.3 million shares, which have been held in treasury, equivalent to approximately 9.8% of the Company's issued share capital. Since then, a further 9.1 million shares have been purchased representing 2.9% of issued share capital, which represents nearly all of the authority shareholders granted at last year's AGM.

As part of this year's AGM business, approval is again being sought from shareholders to renew the Company's share buyback authority to enable the Company to continue buying back shares if the discount to NAV is substantial in absolute terms or in relation to its peers.

Strategy Review

The Managers believe that share prices follow fundamental business progress and earnings growth over the long term. However, in recent years, performance has been poor despite, as already mentioned, the companies in the portfolio having grown their sales faster than the index.

In the fourth quarter of 2024, my fellow director Claire Finn and I undertook a series of meetings with shareholders representing more than 30% of the shareholder register. Whilst frustrated at the performance, the vast majority of the shareholders we spoke to understand the Company's investment style and process and remain supportive.

That said, following a thorough review at the strategy meeting in November 2024, the Board and the Managers have decided to appoint a deputy portfolio manager, to make a change to the Investment Policy and to introduce a number of measures to make the investment process more robust.

Appointment of Deputy Portfolio Manager

I am pleased to report that Brian Lum has been appointed as deputy portfolio manager. Brian joined Baillie Gifford in 2006 and is now head of Baillie Gifford's Smaller Companies Team. Brian graduated with an MSci and BA (Hons) in Physics from the University of Cambridge in 2006.

Looking ahead, the Managers expect to leverage the resource base in the International Smaller Companies team, which comprises six investors, to look at more Japanese smaller company ideas.

Increasing resources that cover the portfolio is one of several measures the Managers have implemented over the last year to make their investment process more robust. These are set out in the Managers' Report on pages 11 to 15.

Change to the Investment Policy

Shin Nippon's objective is to pursue long term capital growth through investment principally in small Japanese companies which are believed to have above average prospects for growth. Under the existing investment policy, a small company is considered to be one that typically has either market capitalisation or turnover of less than ¥150 billion at the time of initial investment, with the Company having used this fixed definition for over a decade.

Ten years ago, the ¥150 billion limit would have permitted investment in the vast majority of the MSCI Japan Small Cap index by size. Performance has been particularly challenging for the smaller small-cap stocks over the past decade with the larger small-cap companies within the index delivering stronger returns. The fixed size restriction now limits new investments arbitrarily to just the bottom 20% of the index by size, so the Company can only make new investments in the smallest of Japanese small-cap companies.

The Board and the Manager believe that moving from a fixed limit on market capitalisation for new investments to one that is dynamically linked to the index provides the Company with a broader opportunity set from which to pursue its investment objective, while ensuring alignment of what the Company deems a small Japanese company.

The Board has therefore made the following change to the Company's investment policy, which is set out in full on pages 46 and 47:

- to remove the current restriction of less than ¥150bn market cap or sales at time of initial purchase; and
- to replace this with a restriction that, while the Company will invest primarily in companies that, at the time of initial investment, are constituents of the index, it would typically expect to invest in 'small' companies that have market capitalisations at or below the average of the companies within the index.

The comparative index currently comprises over 800 stocks in total and of these, over 500 stocks are currently at or below the average market cap, and these stocks currently make up approximately 30% of the index by value.

This change is deemed to be "non-material" and not therefore subject to shareholder approval. Accordingly, the revised restriction was adopted by the Board on 2 April 2025.

Cancellation of Share Premium Account

The Company has built up a substantial share premium account owing to high levels of share issuance in the past. This reserve is non-distributable. A special resolution will be put to Shareholders at the AGM to cancel the amount standing to the credit of the Company's share premium account, following which an application will be made to the Scottish Court of Session to obtain its approval to the cancellation and the creation of an equivalent distributable reserve as explained in more detail on pages 70 and 71. This will provide a significant pool of reserves which can be used in future to fund distributions including dividends, and any returns of capital, including any future tender offer and share buybacks.

Performance Triggered Tender Offer

Last year, the Board introduced a one-off performance triggered tender offer for up to 15% of the Company's issued share capital. This tender offer would be triggered if the Company's NAV total return per share, measuring debt at fair value, underperformed the total return of the MSCI Japan Small Cap Index (in sterling terms) over the three years to 31 January 2027. The tender would be at a price equal to a 2% discount to the cum income NAV per share (calculating debt at fair value) less costs.

If the tender offer were to be triggered, it is expected to be implemented around the time of the Company's 2027 Annual General Meeting ('AGM') and subject to shareholder approval at that time.

Whilst there are still nearly two years remaining, the Company's performance is trailing the index over the performance period to date (being the 12 months to 31 January 2025 as reported above).

Borrowings

The Company's net gearing decreased over the course of the year from 18.1% to 16.1%.

During the year, the existing secured three year ¥5bn and seven year ¥2.1bn facilities with ING were refinanced on expiry with a three year ¥7.1bn secured revolving credit facility with Bank of America. Additionally, following the financial period end, the remaining ¥2bn and ¥7bn revolving credit facilities with ING were cancelled and incorporated into the cheaper secured revolving credit facility with Bank of America, which was extended to ¥16.1bn.

Dividend

Having been in deficit for a number of years, last year the Company's revenue reserve moved to a surplus, principally due to increased dividend payments from the portfolio's underlying holdings and a drop in the net asset value of the Company resulting in reduced investment management fees.

Revenue return per share was 0.67p compared to 0.94p the prior year. The Board is recommending a final dividend of 0.60p per share, being broadly the minimum required to maintain investment trust status. The proposed final dividend will be put before shareholders as part of the Company's Annual General Meeting ('AGM') business in May. I should add that, as the Company's focus is on capital growth, shareholders should not rely on their investment in the Company to provide any income.

Ongoing Charges Ratio

The Company's ongoing charges ratio was 0.80% compared to 0.72% last year, due largely to the assets decreasing and administrative expenses increasing.

Annual General Meeting

This year's AGM will take place on Tuesday 20 May 2025 at ICAEW, Chartered Accountants' Hall, 1 Moorgate Place, London EC2R 6EA commencing at 11.30 am. The AGM is an important tool for engagement and provides shareholders with the opportunity to meet and question in person those managing their assets as well as us the Directors, charged with acting in your best interests. I look forward to seeing as many of you there as possible.

Outlook

Looking ahead, a combination of investment decisions and operational changes by underlying companies have improved the profitability and cash flow of the portfolio. Furthermore, not only is the portfolio more mature from a cash flow perspective, but it also contains a large number of companies trading at a discount to their historic median valuation levels. The portfolio now has a lower weight than the benchmark in unprofitable companies and shows signs of stronger operational performance. The Board and the Manager believe that the portfolio is in a much stronger position for the next three years than it was at the end of 2021. Despite the much stronger potential earnings growth, the Company trades at a discount to the index whilst its shares, as mentioned, trade at a significant discount to NAV. This must surely leave the Company well placed when the market returns to seeing value in the smaller Japanese businesses that the Company invests in. Shin Nippon is now the only growth-focussed Japan small cap investment trust. I am grateful to shareholders for their continued patience during this difficult period and sincerely hope that this will be rewarded.

Jamie Skinner
2 April 2025

Managers' report



Praveen Kumar

Investment Manager

Appointed 2015



Brian Lum

Deputy Manager

Appointed 2025

In a departure from our usual practice of starting the Manager's Report with an annual review, we would like to start by outlining our outlook for Japanese small caps and Shin Nippon. This is because we believe we might be at an inflexion point in terms of a turnaround in investor sentiment. As we noted in our Interim Report, there are definite signs of high growth small caps in Japan coming back in favour. Macro headwinds that have plagued this asset class over the past few years are now beginning to reverse. Portfolio holdings are making strong operational progress, and this is now gradually being acknowledged by the market. Global uncertainty wrought by the Trump administration in the US might perversely help sentiment improve towards the more domestic oriented small cap businesses in Japan that remain largely immune to geopolitics as far as their operations are concerned. We start from a position where the portfolio trades at a discount to its comparative benchmark, shares of Shin Nippon trade at a sizeable discount to their net asset value ('NAV'), and the underlying portfolio holdings are well placed to deliver strong earnings growth over the next few years. We know that it has been a painful and frustrating few years for patient and long-standing shareholders. But we strongly believe that, as and when sentiment around high growth small caps in Japan turns favourable, Shin Nippon is in a strong position to deliver attractive long-term returns for shareholders.

Annual review

2024 was a year of two halves. High growth small caps in Japan remained out of favour during the first half of the year, with sentiment improving during the second half. This led to positive NAV performance of the portfolio in absolute terms in the latter period, but this was not enough to offset the weakness during the first half, leading to relative underperformance over the year. As noted in the Interim Report, we continue to see signs of macro headwinds turning into tailwinds. This process appears to be accelerating, and we are seeing a gradual rise in investor interest in high growth small caps in Japan.

Cyclical large cap and small cap value stocks remained the main driver of positive market performance. Interest rate-sensitive businesses like banks and insurers were among the strongest performers. Rising interest rates in Japan are improving profitability at these businesses. Artificial intelligence ('AI') remained a popular theme. In the absence of AI related software companies in Japan, large cap semiconductor equipment manufacturers were viewed by investors as the best alternative to play the AI theme. Consequently, share prices of such companies remained strong. Small cap value stocks also performed well. Pressure from the Tokyo Stock Exchange and private equity groups is forcing them to drastically improve shareholder returns. In many cases, they are being acquired by private equity groups at high premiums. Such businesses are attracting a lot of investor capital, much to the detriment of high-growth small caps that we typically invest in.

Geopolitics also emerged as a strong theme. The Trump administration has made it clear that traditional US allies can no longer count on unconditional US defence support. This has caused a great deal of worry for many allied countries, including Japan, which were historically dependent on the US. They are now allocating significant amounts of money to bolster their defence preparedness. Defence related stocks in Japan have rallied strongly and were among the top performers within our comparative index, the MSCI Japan Small Cap Index (MXJPSC Index). Most of these are large, traditional conglomerates with a patchy record of growth, and weak competitive edge. They are also structurally low return businesses with indebted balance sheets. Accordingly, Shin Nippon has no exposure to these stocks and has suffered in relative terms as they have outperformed significantly.

As noted earlier, we are seeing evidence of headwinds experienced in recent years turning into tailwinds. With interest rates rising in Japan, we are beginning to see the Japanese yen strengthen versus the US dollar on a sustained basis. Having suffered decades of deflation, Japan is finally experiencing inflation well above the Bank of Japan's 2% target. We believe there is a strong case for the central bank to continue raising interest rates in the near term, possibly resulting in continued yen strength. This should have positive implications for companies focussed on the domestic market as, historically, investors have tended to favour such stocks in a strong yen environment. Over 70% of Shin Nippon's holdings are domestically focussed businesses.

While inflationary pressures are broad based, they are being felt most acutely in the cost of utilities and wages. Capital and labour-intensive companies are struggling to cope, leading to a sharp rise in corporate bankruptcies. Most of Shin Nippon's holdings are capital and labour light businesses with a dominant market share in their respective areas. Holdings like online legal website Bengo4.com, online food ordering system provider Infomart, and power cable maker SWCC have raised prices multiple times over the past year, without any negative impact on end demand. In cases like SWCC, we are also seeing competitors exit the market, further strengthening its competitive position.

As noted in the interim report, Shin Nippon's fundamentals both in absolute terms and relative to the MXJPSC Index remain extremely attractive. If anything, over the course of the year, Shin Nippon's portfolio has become cheaper while the MXJPSC Index has been marginally re-rated to a higher multiple. Historic delivered growth and future expected growth are both far superior for Shin Nippon's portfolio compared to the MXJPSC Index. Over five years to 31 January 2025, the portfolio has delivered earnings growth of 7.5% p.a. compared to 1.1% p.a. for the MXJPSC Index. Based on market estimates, over the next three years it is expected to deliver earnings growth at 15.4% p.a. compared to 8.2% p.a. for the MXJPSC Index. On an EV/EBIT (Enterprise Value/ Earnings Before Interest and Tax) multiple basis, the portfolio currently has a rating of just 12 compared to 12.6 for the index. A year ago, the portfolio was trading on an EV/ EBIT multiple of 13.3 compared to 12.5 for the MXJPSC Index. In addition, over the past year, Shin Nippon's shares have traded at an average discount to their NAV of about 15%. In summary, relative to the MXJPSC Index, Shin Nippon has much higher historic and expected future earnings growth, trades at a discount to the MXJPSC Index, and its shares trade at a meaningfully high discount to NAV. We believe that this "double discount" represents an extremely compelling investment opportunity on a forward-looking basis and positions Shin Nippon favourably to deliver attractive returns to shareholders if sentiment towards high growth small caps in Japan continues to improve.

We have also made some changes to strengthen our research and portfolio construction process. As outlined in the Chairman's statement, Brian Lum, head of Baillie Gifford's Smaller Companies Team, has been appointed as deputy portfolio manager. We now have quarterly strategy meetings focussing on Japanese small caps involving not just the Japan team but also experienced members from our Smaller Companies and Global Discovery teams. We are engaging more closely with our Investment Risk team to identify portfolio specific risks and take appropriate actions. We are also broadening our stock idea generation process to include sectors like utilities, resources, and food services. We have historically struggled to identify attractive businesses in these areas but some of these sectors have undergone significant change. This may result in new growth opportunities for certain companies, and we want to ensure that these investment opportunities are duly considered. Finally, we have widened the coverage of Shin Nippon's holdings within the Baillie Gifford Japan Equity team. Each member of the team is now responsible for ongoing monitoring of a distinct set of small cap holdings, meaning that the entire portfolio now has a wider resource base covering it.

As explained in the Chairman's statement, we have also amended the Company's investment policy in order to better reflect the current nature of the MXJPSC Index, which has a significant skew towards large cap stocks. The fixed market cap limit of ¥150 billion for new investments has been replaced. Instead, Shin Nippon is now able to invest, at the point of initial investment, in companies that are typically at or below the average of the companies within the MXJPSC Index. We believe that this is a fairer representation of the investable universe. This gives us the opportunity of investing in exciting high growth small cap businesses which we have historically been unable to, due to the fixed market cap limit.

Performance

For the year ending 31 January 2025, Shin Nippon's NAV fell by 5.1% compared to an increase of 8.9% in the MXJPSC Index (all figures total return and in sterling terms, NAV with borrowings at fair value).

Over three and five years, the NAV has fallen by 20.2% and 18.8% versus gains of 22.3% and 23.4% respectively for the MXJPSC Index. The Company repurchased 30.3m shares or 9.8% of issued share capital over the year.

Electric power cable and wire manufacturer SWCC Corp was the top positive contributor to portfolio performance. Under the leadership of its first ever female President, it is continuing to transform from a maker of commodity products to a high value-added component supplier. It has expanded its opportunity set by capturing demand in renewables and electric vehicles. Margins are continuing to improve, and valuations remain extremely low, so we believe there is considerable upside remaining in the shares. Japan's only pure-play online life insurer Lifenet was another strong performer. It is continuing to gain share from traditional incumbents who have large sales staff and are suffering from rising wage bills and falling sales efficiency. As a pure online operator, Lifenet does not face any of these issues. Its sales growth recently accelerated, thanks to partnerships with major enterprises like telecom services provider KDDI and credit card company Sumitomo Mitsui Card.

Leading global badminton brand Yonex also performed well. Despite worries about a slowing economy and cautious consumer sentiment in China, Yonex's sales in China are continuing to grow rapidly. The company is also making good progress with extending its brand into tennis where it continues to gain share from incumbents. Software maker Cybozu was another strong performer. It makes cloud-based software that require no programming by the end user, is easy to customise, and is primarily used for group-based tasks like project management. It has the largest market share in this category in Japan and recently raised prices significantly, leading to a sharp spike in its operating margins. Harmonic Drive, which makes precision reduction gears, a critical component used in robots, also had strong share price performance. This was due to market optimism about its strong global position in humanoid robots, a small but rapidly growing sub-segment of the robotics market.

Litalico was the largest negative contributor to portfolio performance. It is Japan's leading provider of training and employment services for disabled adults, and day care services for children with developmental disabilities. It has suffered in the short-term due to changes in regulation that have resulted in lower sales. But management remains confident of a strong rebound having repositioned the business to make up for lost revenue. Online payments company GMO Financial Gate was another weak performer. It has experienced minor delays in some large projects, resulting in poor near-term sales growth and the market took this very negatively. Construction software company SpiderPlus also performed poorly despite making good operational progress. Following recent regulatory changes that place significant restrictions on overtime in the construction industry, it is seeing strong demand for its software products that help automate a range of tasks for construction projects. It is continuing to grow sales at over 30% p.a., and after years of making losses due to aggressive growth investments, management finally expect the business to turn profitable for the next fiscal year and expect profitability to continue improving rapidly thereafter.

We also faced significant valuation downgrades to JEPLAN and Spiber, two of our unlisted holdings. JEPLAN has developed a low-cost, scalable, and environmentally friendly chemical process to recycle plastics and fabrics. Its clients include Suntory, Nestle Japan, Asahi Breweries and Coca Cola Japan. The company has been investing aggressively to expand capacity but has found it extremely tough to raise capital. Its current rate of monthly cash burn and net cash on the balance sheet mean that there is a real danger of the company running out of cash in a few months. Management is currently engaged in raising capital, but its weak financial position necessitated a downgrade in our valuation.

Spiber is a synthetic biology company that has developed a range of artificial fibres identical to natural fibres. Two of its largest shareholders are seeking to sell their entire holding in the company. As per the shareholder's agreement signed between Spiber and these two entities, the company is obliged to buy back these shares but currently has insufficient funds to do so. Although management is in the process of raising funds, this predicament has resulted in a large reduction to the valuation of the company.

In contrast, Gojo, one of our other unlisted holdings that has majority stakes in a range of affordable finance related businesses in emerging markets, is making good progress towards achieving an IPO this year. The company is continuing to grow sales at a fast pace and some of its investee companies like Satya Capital in India and Humo in Central Asia, have already achieved a dominant share of their respective local markets.

Portfolio

Given the poor performance over the past few years, we have undertaken an in-depth review of all our holdings and have subsequently made several changes to best position the portfolio for future success. For the year ending 31 January 2025, we purchased six new holdings and sold eleven. This means that turnover for this period was much higher than usual at 21.4%. Active share of the portfolio remains extremely high at 96.6%, implying just a 3.4% overlap with the MXJPSC Index.

Among the new buys was Inforich, a provider of portable batteries for charging mobile phones. It has managed to scale quickly across Japan and is now the leading provider of portable charging stations. It has secured exclusive contracts at prime locations like major convenience store chains, train stations, and even Tokyo Disneyland, and is growing its sales and profits rapidly. Global Security Experts, a cybersecurity company, was another new purchase. Japanese companies, in general, have historically under-invested in securing their IT infrastructure, a fact borne out by a series of recent high profile cyber-attacks on small and large companies. As a result, capital investment in cybersecurity solutions is rising and proving to be a strong tailwind for Global Security Experts.

We also took new holdings in Genda and Gift Holdings. Genda is an entertainment company that is using M&A to aggressively consolidate Japan's fragmented amusement sector. It targets cash generative and profitable businesses, run by ageing founders and where they can derive considerable synergies with other businesses within their group. Management has deep domain expertise and has shown excellent discipline in the price paid for acquisitions. Genda has grown rapidly and is now among the largest companies in its sector despite being founded only a few years ago. Gift holdings is one of Japan's largest ramen restaurants. It has

a unique model whereby it operates its own stores but also supplies raw materials to a network of franchisees. It has a simple and transparent pricing structure that lowers the barrier for franchisees to join, allowing the company to expand rapidly while keeping cost low and generating high margins.

Two of our holdings, premium camping equipment maker Snow Peak and staffing company Outsourcing, were acquired by private equity. Snow Peak had been struggling with falling sales and inventory issues in China whereas Outsourcing has had a series of accounting scandals in recent years. Management of both companies felt ill-equipped to resolve these issues and hence sought help from private equity.

We sold our longstanding holding in M3, Japan's leading online drug marketing company. It has been owned in the portfolio for almost 20 years and has been a fantastic performer over this period, both in operational and share price terms. However, the business has also become very diversified, complex and growth has slowed markedly. We also sold online cosmetics retailer Kitanotatsujin. It has struggled to acquire new clients as the market has become more competitive. Management is having to significantly increase advertising spend, squeezing margins in the process.

We also sold plastic auto parts maker DaikyoNishikawa that has continued to struggle with falling sales and shrinking margins, mirroring the fortunes of its largest customer Mazda Motor. Gaming company Akatsuki has struggled to launch any new hit mobile games for

many years despite significant investments in game development. In addition, management has expanded into new and unrelated areas like digital comics and venture capital. Given the increasingly competitive environment in mobile gaming and management's apparent lack of focus, we decided to sell. Staffing company WDB was also sold from the portfolio. It supplies labour to the R&D divisions at pharma and medical device companies. It already has a large share of its target market and has struggled to expand beyond this niche over the years. We think the future growth prospects for this company are now modest at best and hence decided to exit the position.

Concluding remarks

The past few years have been particularly challenging for Shin Nippon as our holdings have faced a perfect storm of macro headwinds and investor apathy. However, there are tentative signs of these headwinds turning into tailwinds. Shin Nippon's portfolio trades at a discount to its comparative index but should achieve faster growth. As the market and investors start acknowledging these fundamental attractions, we should see a turnaround in performance. For our part, we remain focussed on our fundamental task of identifying and investing in fast growing, dynamic, smaller companies in Japan that can deliver attractive long-term returns for shareholders.

Praveen Kumar

Baillie Gifford's stewardship principles

Baillie Gifford's overarching ethos is that we are 'Actual' investors. That means we seek to invest for the long term. Our role as an engaged owner is core to our mission to be effective stewards for our clients. As an active manager, we invest in companies at different stages of their evolution across many industries and geographies, and focus on their unique circumstances and opportunities. Our approach favours a small number of simple principles rather than overly prescriptive policies. This helps shape our interactions with holdings and ensures our investment teams have the freedom and retain the responsibility to act in clients' best interests.

Long-term value creation

We believe that companies that are run for the long term are more likely to be better investments over our clients' time horizons. We encourage our holdings to be ambitious, focusing on long-term value creation and capital deployment for growth. We know events will not always run according to plan. In these instances we expect management to act deliberately and to provide appropriate transparency. We think helping management to resist short-term demands from shareholders often protects returns. We regard it as our responsibility to encourage holdings away from destructive financial engineering towards activities that create genuine value over the long run. Our value will often be in supporting management when others don't.

Alignment in vision and practice

Alignment is at the heart of our stewardship approach. We seek the fair and equitable treatment of all shareholders alongside the interests of management. While assessing alignment with management often comes down to intangible factors and an understanding built over time, we look for clear evidence of alignment in everything from capital allocation decisions in moments of stress to the details of executive remuneration plans and committed share ownership. We expect companies to deepen alignment with us, rather than weaken it, where the opportunity presents itself.

Governance fit for purpose

Corporate governance is a combination of structures and behaviours; a careful balance between systems, processes and people. Good governance is the essential foundation for long-term company success. We firmly believe that there is no single governance model that delivers the best long-term outcomes. We therefore strive to push back against one-dimensional global governance principles in favour of a deep understanding of each company we invest in. We look, very simply, for structures, people and processes which we think can maximise the likelihood of long-term success. We expect to trust the boards and management teams of the companies we select, but demand accountability if that trust is broken.

Sustainable business practices

A company's ability to grow and generate value for our clients relies on a network of interdependencies between the company and the economy, society and environment in which it operates. We expect holdings to consider how their actions impact and rely on these relationships. We believe long-term success depends on maintaining a social licence to operate and look for holdings to work within the spirit and not just the letter of the laws and regulations that govern them. Material factors should be addressed at the board level as appropriate.

Proxy voting

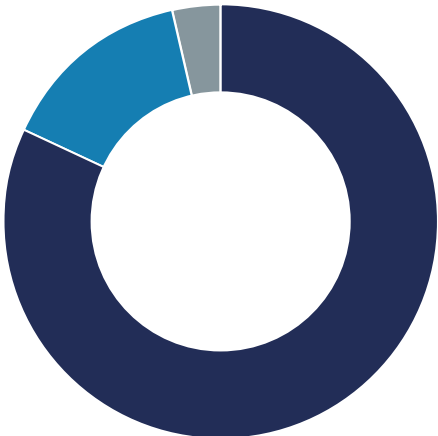
We believe that ‘active ownership’ of our clients’ holdings is as important as selecting the right investments in the first instance. These guidelines are aligned with our stewardship principles and describe our approach to proxy voting and company engagement, the key levers of active ownership, often described as ‘stewardship’.

While these guidelines are intended to provide an insight into how we approach voting on our clients’ behalf, it is important to note that we assess every company individually. In voting, we will always evaluate proposals on a case-by-case basis, based on what we believe to be in the best long-term interests of our clients, rather than rigidly applying a policy.

A broad cross section of our investment staff are involved in our ongoing work on stewardship. In the same way that our investment approach is based around empowered and independent teams, our voting and engagement is led by the individual investment teams. In keeping with our decentralised and autonomous culture, our investment teams will, on occasion, elect to vote differently on the same general meeting resolutions. Where this happens, we report accordingly in the proxy voting disclosure on our website. We also have clear processes in place to identify, prevent and manage potential proxy voting related conflicts of interest to ensure that in all cases the firm acts in the clients’ best interest. Baillie Gifford’s firm-wide conflict of interest disclosure is available on our website.

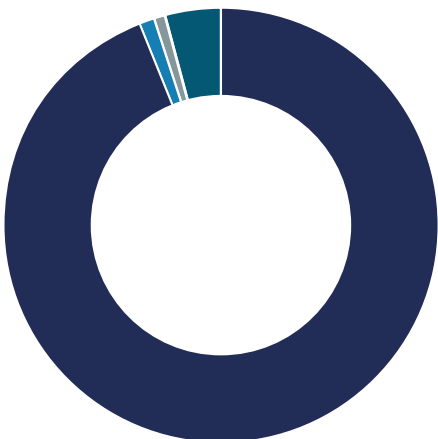
Prior to taking any voting action, we usually address specific ESG concerns by engaging directly with the company, using voting as an escalation mechanism if we have not seen sufficient progress. Voting activity and the reasons for any resolutions voted against in the period is disclosed on the Company website and can be viewed at shinnippon.co.uk.

Company meeting record



Number of meetings voted with management	73
Number of meetings with at least one against, withhold or abstain	13
Meetings not voted	3

Voting distribution



Votes for	94.1%
Votes against	0.9%
Votes abstained	1.0%
No vote	4.0%

Environmental, social and governance engagement

By engaging with companies, we seek to build constructive relationships with them, to better inform our investment activities and, where necessary, effect change within our holdings, ultimately with the goal of achieving better returns for our shareholders. The issues we consider in our assessment of ESG factors are varied but may include governance arrangements, human rights, labour rights, diversity and inclusion, climate change, nature and biodiversity, respect for legal and regulatory guidelines and consideration of stakeholder perspectives.

Engagements in the year to 31 January 2025	Environmental	Social	Governance
Appier Group	●		●
Avex Inc.	●		●
Bengo4.com			●
Calbee, Inc.			●
CellSource Co	●		●
Demae-Can	●		●
GA Technologies			●
GMO Financial Gate			●
GMO Payment Gateway			●
Harmonic Drive Systems			●
Horiba			●
Infomart			●
Iriso Electronics			●
Istyle			●
Jade Group	●		●
JEOL			●
Kamakura Shinsho	●		●
Katitas			●
KH Neochem		●	
Kitz			●
Kohoku Kogyo	●		●
Kumiai Chemical			●

Engagements in the year to 31 January 2025	Environmental	Social	Governance
Lifenet Insurance			●
MegaChips	●		●
MonotaRO			●
Nakanishi			●
Nikkiso	●		●
Nippon Ceramic			●
Nittoku			●
Optex			●
oRo			●
OSG			●
Raksul			●
Seria	●		●
Shima Seiki			●
Sho-Bond			●
Shoei Co	●		●
SIIX			●
Spider	●		●
SWCC			●
Torex Semiconductor	●		●
Toyo Tanso	●	●	●
Yonex			●

The examples on the following pages demonstrate our approach to proxy voting and stewardship through constructive, ongoing engagement.

KH Neochem – Discussing operational changes to improve safety and resilience.

% of total assets*	0.6%
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Objective: Understand the drivers of the operational difficulties in recent years with the CFO.

Discussions: We discussed the different measures that KH Neochem has put in place to improve the safety and resilience of its operations. These include the introduction of a new predictive maintenance system, digitalising more of its daily inspections, and a policy of building up more inventory ahead of shutdowns (which happen once every two years).

On its supply chain, KH Neochem is insourcing the production of certain raw materials to improve the reliability of supply (this hurt the company in 2023 as some suppliers had ageing production facilities).

Outcome: It was helpful to learn about KH Neochem's steps to monitor safety performance and build resilience in its manufacturing. As these actions are relatively recent, we will continue to monitor their implementation and effectiveness.

SWCC Corp – Understanding governance evolution as a positive case study.

% of total assets*	2.7%
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Objective: To understand SWCC's board evolution and approach to governance in conversation with an independent director of the company.

Background: SWCC Corp's governance structure has evolved since 2015, aligning with Japan's changing corporate governance Code. The appointment of external directors with relevant experience signalled a shift towards a more considered board composition. This move facilitated the promotion of Hasegawa-san as CEO, who has been instrumental in SWCC's efficiency and growth since her appointment.

Discussion: The director's insights revealed a board deeply involved in steering the company towards efficiency improvements and a focus on Return on Invested Capital (ROIC). The narrative of SWCC's governance journey is one of timely decisions that have enhanced its market position. The board's evolution, particularly the separation of the CEO and President roles, aims to refine strategic oversight and long-term planning further. A cultural shift towards meritocracy underpins these changes, emphasising talent recognition and promotion from within.

The discussion also covered incentives, which highlighted a considered approach to aligning executive compensation with shareholder interests. This suggests an openness to evolving these practices considering broader governance principles.

We provided feedback on how further changes, such as increasing the proportion of long-term variable and stock-based compensation, would provide greater alignment with shareholders and longer time horizons.

Outcome: The dialogue with SWCC Corp provided valuable insights into the mechanisms driving its governance success, particularly the role of external directors in championing strategic and cultural shifts. The meeting underscored the importance of external directors in fostering corporate governance reforms and cultural transformation, positioning SWCC as a case study in effective board composition and strategic oversight. We will continue to monitor changes at SWCC and hope to draw lessons from their evolution over time.

Toyo Tanso – Discussion about board composition, emissions reduction, and capital allocation.

% of total assets*	1.3%
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Purpose: To discuss the company’s sustainability initiatives, capital allocation strategies, and general business updates with the Chairman, and chief executive officer (CEO). The key topics covered were board composition and emissions reduction efforts.

Discussion: The meeting discussed Toyo Tanso’s board size reduction. Over the past five years, the board decreased from eight to five members by reducing the number of internal directors. This most recent change has increased board independence from 50% in 2023 to 60% in 2024. Given Toyo Tanso’s ex-Japan revenue exposure, the conversation also covered international business expertise on the board. It believes that two directors on the board currently bring international experience but that the board was open to building further expertise in this area as it continues to evolve its board composition. The company was keen to share its progress in reducing its emissions. It has done so by switching to more efficient technologies and procuring more renewable energy. It aims for a 30 per cent reduction in emissions intensity by 2030, although challenges remain in some hard-to-abate areas of its business, such as their carbon baking furnaces. It has also completed a human rights due diligence exercise, starting with its parent company and looking to expand it to group and supply chain companies, focusing on building competence domestically before expanding into more complex and risky tiers of its supply chain. Lastly, we shared our voting decision on the dividend policy last year. We abstained on the dividend pay-out of approximately 30 per cent as it did not meet our expectations of 40 per cent given the company’s cash position. Management took this on board and shared that they are reviewing their pay-out policies.

Outcome: While the current board composition is evolving, Toyo Tanso is open to changes and receptive to external input. In terms of capital allocation, the company acknowledges that its payout ratio did not meet expectations, but its ongoing review and focus on reinvesting cash are positive.

Cell Source – Meeting with new management to discuss reflections and future plans.

% of total assets	0.3%
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Objective: To understand the operational challenges over the past two years with the CEO and CFO and the plan for the new CEO to turn the company around.

Discussion: We started by discussing their diagnosis of what went wrong strategically and the Company’s plan to reverse course. The fundamental challenge for the company is to find an effective avenue to market its services despite the huge market opportunity and the advantages over traditional treatments (which are established).

We also discussed the key planks of the new management’s strategy to focus on the most engaged partners, initiatives to launch seminars to drive patient demand, and self-help initiatives to improve the business’s efficiency. The founder remains involved with the business but has ceded responsibilities to the experienced new CEO.

Action: The new management team promised a more detailed long-term plan next year when the early results of various new initiatives can be assessed. In the meantime, the company’s balance sheet is strong and we will continue to monitor progress.

Proxy voting – ‘active ownership’ in action

CellSource

% of total assets*	0.3%
Meeting	2024 Annual General Meeting
Vote	Against

Reason: We opposed the plan to issue share acquisition rights (SARs) to outside partners because we believe that this has the potential to create conflicts of interest. Ahead of the annual general meeting, we contacted the company for more information on the rationale for the request and who could participate in the plan. The company explained that grants were for key potential partners which include physicians and medical institutions, who in turn have significant market share in CellSource’s target markets. They consider this a strategic move to help them expand their customer base. Unfortunately, the additional information did not alleviate our concerns regarding a potential conflict of interest arising, and we therefore opposed the plan.

* For a definition of terms see Glossary of terms and Alternative Performance Measures on pages 129 to 132.

Nikkiso

% of total assets*	1.0%
Meeting	2024 Annual General Meeting
Vote	Abstain

Reason: We abstained on the re-election of the board chair as there was no vote on the dividend and we have concerns with the dividend payment level. Following the 2023 annual general meeting and ahead of the 2024 meeting we engaged with the company regarding their dividend policy. We shared our view that the company is in a position to return more capital to shareholders. The company targets a dividend payout ratio of 35 per cent and has not expressed any intention to increase this. Therefore, this year we took the decision to escalate our engagement on this topic by abstaining on the re-election of the board chair. We also encouraged them to give shareholders the opportunity to vote on the dividend as we believe it is an important part of facilitating dialogue between the company and its stakeholders.

Horiba

% of total assets*	1.4%
Meeting	2024 Annual General Meeting
Vote	Against

Reason: We opposed the election of the board chairman because we continue to think the dividend payment is too low. This is the third year we have taken voting action, having abstained on the election of the board chair in 2022 and having escalated to voting against the chairman in 2023 and 2024. Following the shareholder meeting we contacted the company to explain our decision and to encourage a higher dividend in future as we believe the company is in the financial position to return more capital to shareholders. Our action against the chairman is because there is no specific vote on the dividend which we also encouraged the company to introduce.

* For a definition of terms see Glossary of terms and Alternative Performance Measures on pages 129 to 132.

One year summary

The following information illustrates how Shin Nippon has performed over the year to 31 January 2025.

	31 January 2025	31 January 2024	% change
Shareholders' funds	£389.7m	£457.8m	
Gearing [†]	16 %	18 %	
Net asset value per ordinary share [‡]	139.4p	147.8p	(5.7)
Share price	119.0p	126.2p	(5.7)
Comparative index [#]			8.9
Yen/sterling exchange rate	192.41	186.15	(3.3)
Discount [†]	14.6 %	14.6 %	
Revenue earnings per ordinary share	0.67p	0.94p	
Dividend proposed per ordinary share in respect of the financial year	0.60p	0.80p	
Ongoing charges [†]	0.80 %	0.72 %	
Active share [†]	97 %	95 %	
Year to 31 January	2025	2024	
Total return (%) [†]			
Net asset value	(5.1)	(14.9)	
Share price	(5.0)	(20.5)	
Comparative index [#]	8.9	6.3	

[†] Alternative Performance Measure – see Glossary of terms and Alternative Performance Measures on pages 129 to 132.

[‡] Net asset value per share ('NAV') with borrowings at fair value. At 31 January 2025 the NAV with borrowings at fair value was the same as the NAV with borrowings at book value. For a definition of terms see Glossary of terms and alternative performance measures on pages 129 to 132.

[#] The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms).

Source: LSEG/Baillie Gifford and relevant underlying index providers. See disclaimer on page 127.

Past performance is not a guide to future performance.

Year to 31 January	2025	2025	2024	2024
Year's high and low	High	Low	High	Low
Net asset value per ordinary share (after deducting borrowings at fair value) [†]	150.4p	112.7p	177.7p	133.1p
Share price	126.8p	105.0p	163.8p	116.0p
Discount (after deducting borrowings at fair value) [†]	6.5%	18.6%	6.4%	14.6%

Year to 31 January	2025	2024
Net return per ordinary share		
Revenue return	0.67p	0.94p
Capital return	(10.97p)	(27.13p)
Total return	(10.30p)	(26.19p)

[†] Alternative Performance Measure – see Glossary of terms and Alternative Performance Measures on pages 129 to 132.

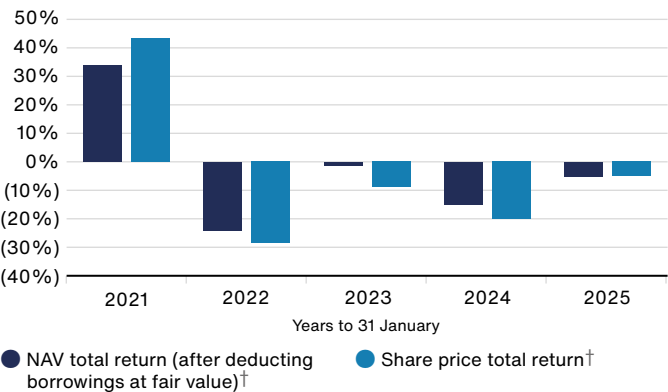
Source: LSEG/Baillie Gifford and relevant underlying index providers. See disclaimer on page 127.

Past performance is not a guide to future performance.

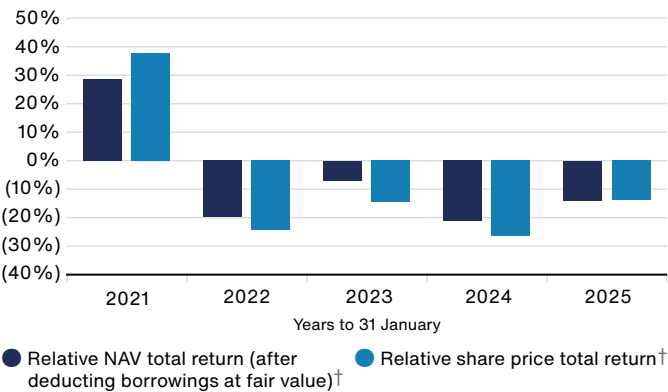
Five year summary

The following charts indicate how an investment in Shin Nippon has performed relative to its comparative index, peer group and its net asset value over the five year period to 31 January 2025. The Board reviews performance principally over rolling five year periods.

Annual change in net asset value and share price total return†



Annual change in net asset value and share price total return† relative to the comparative index*



* The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms).

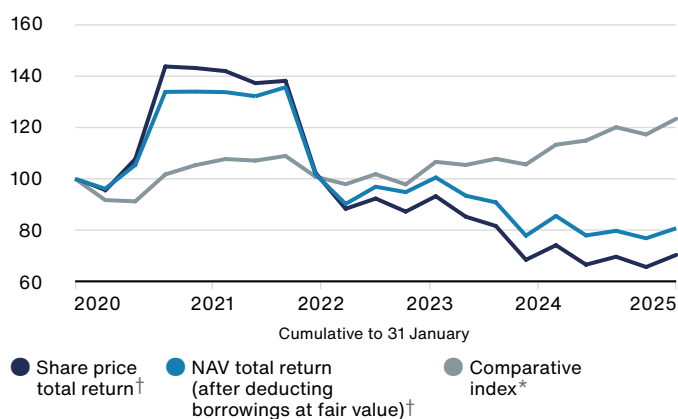
† See Glossary of terms and Alternative Performance Measures on pages 129 to 132.

Source: LSEG/Baillie Gifford and relevant underlying index providers. See disclaimer on page 127.

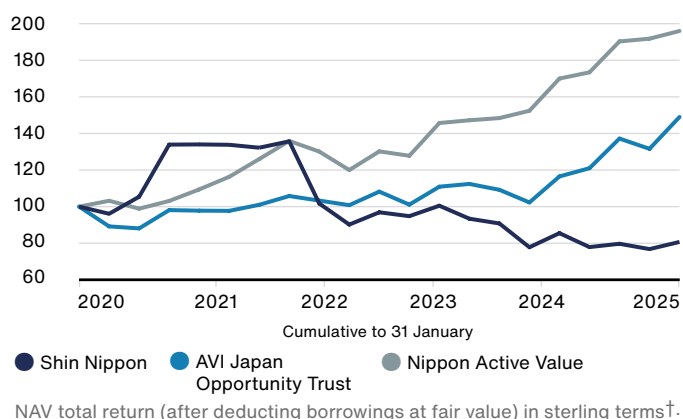
Past performance is not a guide to future performance.

Five year total return performance[†]

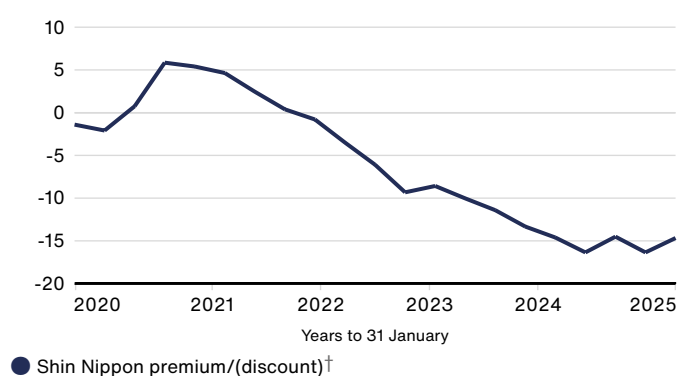
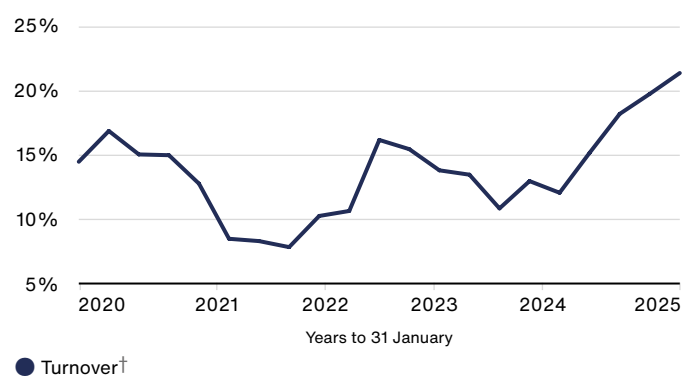
(figures rebased to 100 at 31 January 2020)

**Five year peer group total return[†] performance[#]**

(figures rebased to 100 at 31 January 2020)

**Premium/(discount) to net asset value**

(plotted on a quarterly basis)

**Turnover**

* The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms).

AIC peer group comprises: AVI Japan Opportunity Trust and Nippon Active Value Fund.
JPMorgan Small Cap Growth & Income was previously included in the peer group but delisted during the year.

[†] See Glossary of terms and Alternative Performance Measures on pages 129 to 132.

Source: LSEG/Baillie Gifford and relevant underlying index providers. See disclaimer on page 127.

Past performance is not a guide to future performance.

Ten year record

Capital

At 31 January	Total assets * £'000	Bank loans £'000	Shareholders' funds £'000	NAV per share (fair) * p	Share price p	Premium/ (discount) * %
2015	147,529	18,894	128,635	68.7	64.2	(6.6)
2016	182,817	19,427	163,390	86.2	89.6	3.9
2017	257,448	23,576	233,872	115.5	119.6	3.5
2018	449,289	47,877	401,412	168.7	184.4	9.3
2019	486,101	51,946	434,155	158.5	171.2	8.0
2020	535,801	52,085	483,716	172.8	170.4	(1.4)
2021	761,251	63,199	698,052	231.5	244.0	5.3
2022	643,754	91,102	552,652	175.8	174.4	(0.8)
2023	633,466	88,013	545,453	173.7	158.8	(8.6)
2024	544,267	86,475	457,792	147.8	126.2	(14.6)
2025	473,366	83,676	389,690	139.4	119.0	(14.6)

Revenue

Year to 31 January	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue (loss)/earnings per ordinary share p	Ongoing charges * %
2015	1,554	(374)	(0.20)	1.14
2016	1,798	(290)	(0.16)	1.02
2017	2,912	101	0.05	0.96
2018	3,496	(227)	(0.11)	0.89
2019	5,092	106	0.04	0.77
2020	6,006	790	0.28	0.73
2021	5,587	(141)	(0.05)	0.71
2022	7,436	896	0.29	0.66
2023	9,617	3,490	1.11	0.74
2024	8,870	2,944	0.94	0.72
2025	7,389	1,989	0.67	0.80

Gearing ratios

Gearing * %	Gross gearing * %
9	15
9	12
8	10
11	12
11	12
10	11
8	9
11	16
15	16
18	19
16	21

* See Glossary of terms and Alternative Performance Measures on pages 129 to 132.

Source: LSEG/Baillie Gifford and relevant underlying index providers. See disclaimer on page 127.

Past performance is not a guide to future performance.

Cumulative performance (taking 2015 as 100)

At 31 January	NAV per share [†]	Share price	Comparative index [#]
2015	100	100	100
2016	125	140	111
2017	168	186	150
2018	245	287	175
2019	231	267	161
2020	251	265	177
2021	337	380	186
2022	256	272	178
2023	253	247	188
2024	215	197	200
2025	203	187	218

Compound annual returns (%)

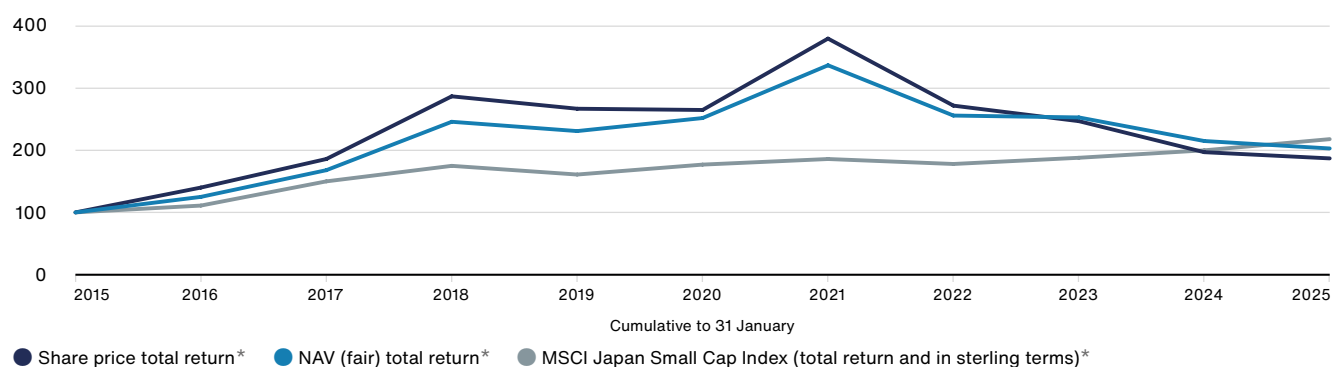
5 year	(4.2)	(6.8)	4.3
10 year	7.3	6.4	8.1

[†] Net asset value total return has been calculated after deducting borrowings at fair value. See Glossary of terms and Alternative Performance Measures on pages 129 to 132.

[#] The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms).

Source: LSEG/Baillie Gifford and relevant underlying index providers. See disclaimer on page 127.

All per share figures have been restated for the five for one share split on 21 May 2018.

Ten year total return performance [†]

[†] For a definition of terms see Glossary of terms and Alternative Performance Measures on pages 129 to 132.

Source: LSEG/Baillie Gifford and relevant underlying index providers. See disclaimer on page 127.

Past performance is not a guide to future performance.

Review of investments

A review of the Company’s ten largest investments together with a list of the new acquisitions in the year.

Top ten holdings



Katitas

Katitas is a specialist real-estate developer that buys and renovates old, abandoned homes before selling it on to mainly first-time buyers. The problem of empty houses in Japan is reaching acute levels, resulting in a hollowing out of entire communities. There are an estimated 8 million old or abandoned houses across Japan, most of them vacant. A lot of these are ancestral homes which families, despite living elsewhere, are reluctant to sell. For authorities looking to regenerate local economies, the only option is to demolish these properties and build new establishments, often for business purposes. The families are generally reluctant to give up these properties for sentimental reasons. Katitas offers an alternate and attractive option for these families by offering to acquire these houses and the associated land for a reasonable price, renovate these to a high standard before selling them. In the process, Katitas also ends up playing a part in rejuvenating local communities. Because these houses are scattered all across Japan, sourcing potential properties is quite difficult. Over the years, Katitas has developed

a strong network of local contacts across Japan that ensures a steady supply of properties they could buy. The company generates very attractive margins despite selling these properties at a meaningful discount to new builds. Finally, second-hand home ownership in Japan is exceptionally low compared to other developed markets although this is changing and should provide a long-term tailwind for Katitas.

Valuation	£14,465,000
% of total assets*	3.1%
Valuation at 31 January 2024	£8,072,000
% of total assets at 31 January 2024	1.5%
Net purchases/(sales) in year to 31 January 2025	£4,622,000
Held since	2017

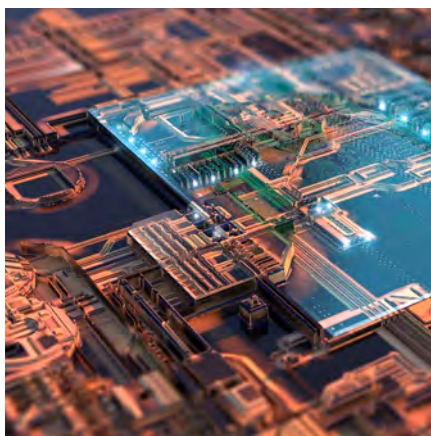
* For a definition of terms see Glossary of terms and Alternative Performance Measures on pages 129 to 132.



Lifenet Insurance

Lifenet is a fast-growing online life insurer. It offers a limited range of easy to understand life insurance products sold predominantly through its own website. Its direct-to-consumer model enables it to price competitively, resulting in a potentially enduring competitive edge. Incumbents are large, slow moving and traditional insurers which lack technological prowess and employ a labour intensive sales model. This is allowing Lifenet to gain market share on a consistent basis.

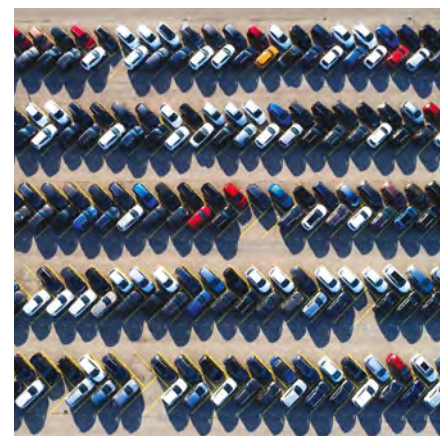
Valuation	£14,347,000
% of total assets*	3.0%
Valuation at 31 January 2024	£12,017,000
% of total assets at 31 January 2024	2.2%
Net purchases/(sales) in year to 31 January 2025	(£3,380,000)
Held since	2012



Megachips

Megachips is a fabless semiconductor chip design company. The company is a significant supplier of chips for Nintendo's gaming consoles and has been enjoying strong growth thanks to the ongoing success of Nintendo's latest console, Switch. It also has a fast growing US-listed subsidiary called SiTime that is emerging as a global leader in advanced and energy efficient timing devices for electronic devices.

Valuation	£13,318,000
% of total assets*	2.8%
Valuation at 31 January 2024	£13,289,000
% of total assets at 31 January 2024	2.4%
Net purchases/(sales) in year to 31 January 2025	(£1,314,000)
Held since	2015



Nifco

Nifco designs and manufactures plastic parts for vehicles. The use of plastic is increasing as auto makers look to reduce the weight of their models to improve fuel efficiency. Nifco outsources the majority of its production which allows it to generate high levels of profitability. In the long run the company should be able to grow its earnings as it expands its customer base to US and European auto makers. In addition, the financial performance of the company should benefit meaningfully from its new-found emphasis on RoIC (Return on Invested Capital).

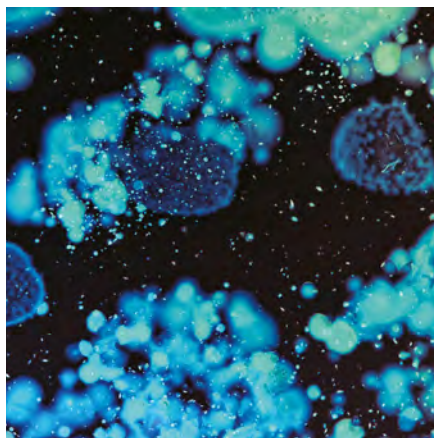
Valuation	£12,886,000
% of total assets*	2.7%
Valuation at 31 January 2024	£10,387,000
% of total assets at 31 January 2024	1.9%
Net purchases/(sales) in year to 31 January 2025	£3,173,000
Held since	2009

* For a definition of terms see Glossary of terms and Alternative Performance Measures on pages 129 to 132.



SWCC

SWCC Showa is an electric wire/cable manufacturer. Its traditional business relates to the manufacture and supply of low and high voltage cables for private and public electric power utilities. It is in the process of moving away from its low growth and low margin legacy business, of supplying cables, to becoming a component supplier. It has developed a set of unique, lightweight and high margin connector components, branded as SICONEX, that are driving strong profit growth. The market continues to rate the company as an undifferentiated supplier of commoditised products, ignoring the radical changes occurring within the business, and as such the shares remain very lowly rated.



JEOL

JEOL is a specialist manufacturer of high-powered microscopes and other scientific analysis equipment. In addition, through its partnership with IMS (an Austrian company), JEOL participates in manufacturing multi-beam mask writers for the semiconductor industry, which has proved to be a highly successful business. Over the past few years, JEOL has increased its margins in both microscope and mask-writing businesses, driven by new product launches and strong demand. The company should be able to grow revenues strongly, and defend its margins through the cycle, thanks to its ongoing technological developments and product innovation.



GA Technologies

GA Technologies provides online B2B ('business-to-business') services for the real estate sector. It has developed a suite of artificial intelligence based software applications that allows clients to manage numerous tasks like remote viewing, rental property management, end-to-end processing of mortgages and automated generation of building floor plans, to name a few. It is run by its ambitious and young founder who owns a large stake, thereby ensuring strong alignment with minority shareholders.

Valuation	£12,625,000
% of total assets*	2.7%
Valuation at 31 January 2024	£6,756,000
% of total assets at 31 January 2024	1.2%
Net purchases/(sales) in year to 31 January 2025	(£2,639,000)
Held since	2023

Valuation	£12,617,000
% of total assets*	2.7%
Valuation at 31 January 2024	£10,589,000
% of total assets at 31 January 2024	1.9%
Net purchases/(sales) in year to 31 January 2025	£4,193,000
Held since	2013

Valuation	£12,372,000
% of total assets*	2.6%
Valuation at 31 January 2024	£11,586,000
% of total assets at 31 January 2024	2.1%
Net purchases/(sales) in year to 31 January 2025	£762,000
Held since	2020

* For a definition of terms see Glossary of terms and Alternative Performance Measures on pages 129 to 132.



Yonex

Yonex is the leading badminton racket brand in the world. Badminton is growing as a participation sport across Asia and many of the top players use Yonex equipment. The company is now leveraging its strong brand to expand into the global tennis market where it has already demonstrated impressive market share gains, especially in the US which is the world's largest tennis market. In addition, management have move to a direct sales model which should support higher margins in the long run.

Valuation	£11,906,000
% of total assets*	2.5%
Valuation at 31 January 2024	£6,913,000
% of total assets at 31 January 2024	1.3%
Net purchases/(sales) in year to 31 January 2025	£508,000
Held since	2015



Appier Group

Founded in 2012, Appier products use AI to help clients acquire data on and understand customer behaviour and automate a range of related business processes. There are significant opportunities for it to add new clients and cross-sell its products to existing clients. A major competitive advantage is that the company's clients achieve fantastic returns from Appier's products, which in turn improve over time. Furthermore, pricing is closely aligned with clients' success. After multiple engagements with the company, we have been impressed by the ambition of the founders and the management team, the effectiveness of the products and the company's operational performance.

Valuation	£11,679,000
% of total assets*	2.5%
Valuation at 31 January 2024	£8,128,000
% of total assets at 31 January 2024	1.5%
Net purchases/(sales) in year to 31 January 2025	£4,172,000
Held since	2023



Raksul

Raksul is an online platform providing cloud-based printing and advertising services for SMEs. The printing industry in Japan is very sizeable albeit mature, and is quite traditional. It is also very inefficient in that a small number of printing companies get a large chunk of customer orders leaving smaller and mid-sized players with very low capacity utilisation. Online penetration also remains very low compared to other developed markets. Through its online platform, Raksul is attempting to modernise this industry by using its platform to efficiently allocate orders thereby improving utilisation rates across the sector. Through its advertising business, Raksul sells SAAS software that provides low-cost and measurable advertising for SMEs. The company is growing its sales very rapidly and has built sufficient scale to improve its profitability as well. Management are young and dynamic, with most having both an overseas and a consulting background.

Valuation	£11,479,000
% of total assets*	2.4%
Valuation at 31 January 2024	£8,843,000
% of total assets at 31 January 2024	1.6%
Net purchases/(sales) in year to 31 January 2025	£1,342,000
Held since	2018

* For a definition of terms see Glossary of terms and Alternative Performance Measures on pages 129 to 132.

New buys



Anicom

Anicom Holdings is Japan’s leading pet insurer. It has a dominant competitive position in an expanding market with high barriers to entry. It uses data to reinforce its competitive edge, invests for the long term at the expense of short-term profits, and is run by its founder who maintains a near 10% stake in the business. More recently, the market has consolidated with the exit of a major foreign player, AXA. Rather than competing with Anicom, AXA has instead decided to form a joint venture with the firm; it will now act as Anicom’s distribution partner, thereby further cementing Anicom’s position as the dominant player. Management is also focusing on reducing costs and improving shareholder returns which should all bode well for the company’s long-term growth and return prospects.

Valuation	£7,395,000
% of total assets*	1.6%



Genda

Genda (“Global Entertainment Network for Dreams and Aspiration”) is a recent IPO. It operates as a holding company that is rapidly consolidating Japan’s fragmented entertainment/ amusement market. It was founded in 2018 by Hideki Yoshimura, a 42-year-old serial “internet” entrepreneur, Nao Kataoka, Chairman of the Board and an industry veteran who previously ran Aeon’s listed entertainment business, Aeon Fantasy, for three decades, and Mai Shin, the current President, who spent over a decade as an investment banker at Goldman Sachs. Japan’s entertainment/ amusement sector is very fragmented and mature. Within this and as part of its M&A roll-up growth strategy, Genda acquires businesses that are run by an ageing founder, businesses that are consistently cash flow positive, and where it can drive synergies with other businesses within its group that span the entire value chain of the entertainment/ amusement business. In its short history, the company has already built a strong track record of successfully integrating and, more importantly, growing the acquired businesses. Genda is the only player in the sector that is employing this form of aggressive debt-funded M&A strategy. It has a very strong balance sheet which gives it significant fire-power to continue with this strategy. In addition, the three founders together own just under 60% of the company, thereby ensuring strong alignment.

Valuation	£659,000
% of total assets*	0.1%

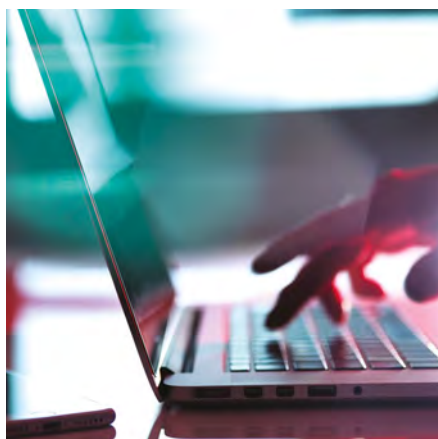


Gift

Gift holdings is one of Japan’s largest ramen restaurants. It has a unique model whereby it operates its own stores but also supplies raw materials to a network of franchisees with a very simple charging structure. This significantly lowers the barrier for franchisees to join Gift Holdings’ ecosystem thereby enabling the company to expand rapidly at very low cost and high margin. The company is run by its young and dynamic founder who trained as a ramen chef for several years before starting the company without any external money. Ramen is a staple food item in Japan and it is one of the few categories that has grown over the past decade despite demographic headwinds.

Valuation	£10,334,000
% of total assets*	2.2%

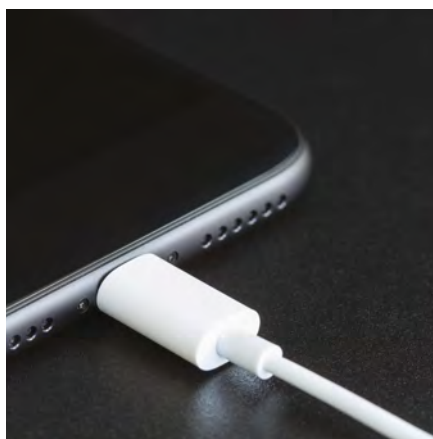
* For a definition of terms see Glossary of terms and Alternative Performance Measures on pages 129 to 132.



Global Security Experts

Global Security Experts (GSE) is an SME focused cybersecurity consulting firm. It provides complete end-to-end cybersecurity solutions for SMEs in Japan and is a leading player in this area as far as SMEs are concerned. It advises SMEs on how to identify vulnerabilities in their IT systems, suggests appropriate measures that they can take to plug the identified vulnerabilities, provides training on cybersecurity related matters, and also carries out implementation and post-implementation support work for cybersecurity tools and packages that are ultimately installed by the SME client based on GSE's recommendation. Japan's low IT preparedness for cybersecurity is a well-known and well-documented fact and this problem is greatly amplified at the SME level where knowledge of cybersecurity and ways of dealing with related threats tends to be minimal. The overall market for SME cybersecurity has been growing at high single digits but this is expected to increase meaningfully in the long-term with rising awareness of cyber attacks and the damage they can cause to SMEs. By focusing solely on SMEs and by pricing its services at extremely affordable price points which lower the barrier to adoption, GSE is very well positioned to benefit from the trend of rising SME spend on cybersecurity in Japan.

Valuation	£5,273,000
% of total assets*	1.1%



Inforich

Inforich specialises in mobile device charging solutions, boasting over 40,000 ChargeSPOT stations throughout Japan, strategically placed in high-traffic venues such as convenience stores and train stations, ensuring exclusivity and competitive advantage. The company's charging service is experiencing robust growth and exceptional marginal profits. Dominating the Japanese market, Inforich surpasses its closest competitor by over tenfold. It leverages its network for additional revenue streams, including advertising and facilitating sharing economy ventures, earning commissions. With significant operations and brand recognition in Hong Kong and several ASEAN countries, Inforich is aggressively pursuing international expansion.

Valuation	£9,831,000
% of total assets*	2.1%



Soracom

Soracom is a global Internet of Things (IoT) Mobile Virtual Network Operator (MVNO) founded in 2014 by three ex-AWS engineers who currently serve as its CEO, COO and CTO. It enables companies to turn their "dumb" devices and equipment into IoT devices. It sells a range of hardware devices that enable IoT functionality in non-IoT devices. Once plugged in, devices automatically connect to Soracom Cloud, an in-house built IoT software stack running on AWS. Devices can then "talk" to each other and be remotely controlled, configured and monitored. Customers also get the ability to design and build customise applications using a suite of "drag and drop functions" provided by Soracom. Connectivity is provided through cellular networks, WiFi, Ethernet, and satellite networks. Soracom has longstanding network sharing agreements with over 300 carriers globally, making its services network agnostic, global and thereby providing a seamless service especially to clients with global operations.

Valuation	£2,185,000
% of total assets*	0.5%

* For a definition of terms see Glossary of terms and Alternative Performance Measures on pages 129 to 132.

Portfolio executive summary

Performance

	1 year %	3 years %	5 years %	10 years %
Share price	(5.0)	(31.3)	(29.7)	86.7
NAV	(5.1)	(20.2)	(18.8)	104.0
Comparative index*	8.9	22.3	23.4	118.0

All figures are stated on a total return basis[†] for the period to 31 January 2025.

* Comparative index: MSCI Japan Small Cap Index (total return and in sterling terms).

[†] Alternative Performance Measure – see Glossary of terms and Alternative Performance Measures on pages 129 to 132.

Source: Baillie Gifford/LSEG and relevant underlying index providers. See disclaimer on page 127.

Key contributors and detractors to performance – year to 31 January 2025

Contributors	Absolute performance % *	Detractors	Absolute performance % *
SWCC	145.7	Litalico	(50.4)
Lifenet Insurance	49.4	Spiber	(83.3)
Yonex	69.4	GMO Financial Gate	(37.9)
Noritsu Koki	51.4	JEPLAN	(84.5)
Harmonic Drive Systems	22.5	Enechange	(82.6)

* Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 February 2024 to 31 January 2025.

For the definition of total return see Glossary of terms and Alternative Performance Measures on pages 129 to 132. Table ordered by contribution to performance.

Source: Revolution.

New buys

- Anicom
- Genda
- Gift
- Global Security Experts
- Inforich
- Soracom

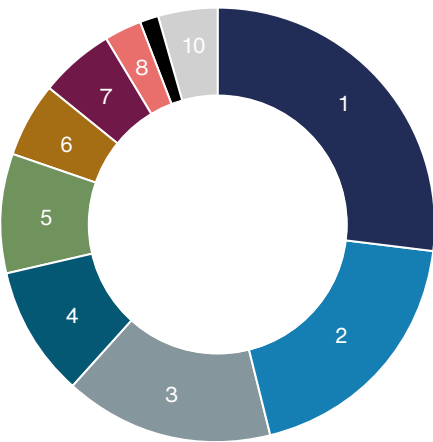
Complete sales

- Akatsuki
- DaikyoNishikawa
- Descente
- Enchange
- Kitanotatsujin
- M3
- Nabtesco
- Nihon M&A Center
- Outsourcing
- Snow Peak
- WDB Holdings



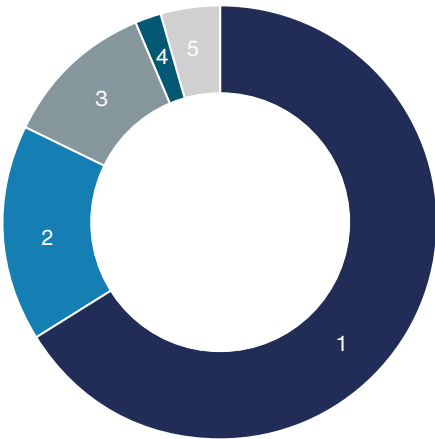
Distribution of total assets* and size splits

Industry 2025



Industry		2025 %	2024 %
1	Industrials	27.1	28.5
2	Information technology	19.2	19.5
3	Consumer discretionary	15.5	15.1
4	Communication Services	9.6	7.7
5	Financials	9.1	10.3
6	Consumer staples	5.5	6.9
7	Healthcare	5.4	7.2
8	Real Estate	3.0	1.5
9	Materials	1.3	2.5
10	Net liquid assets	4.3	0.8

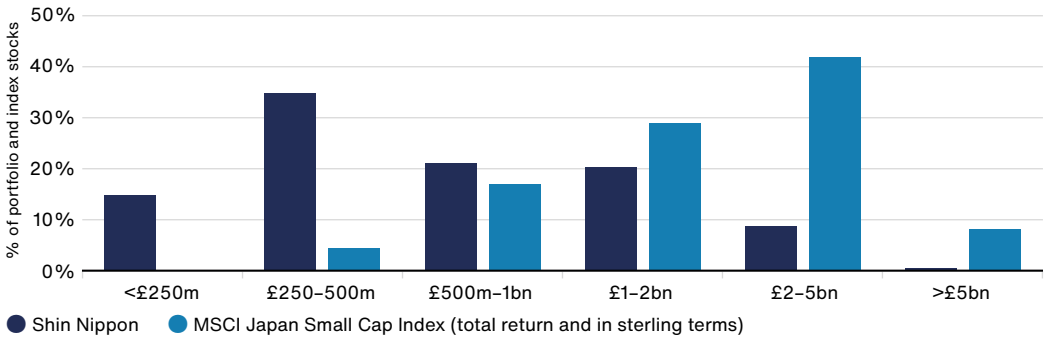
Listings 2025



Listings		2025 %	2024 %
1	Tokyo Prime	66.2	71.5
2	Tokyo Growth	16.1	15.8
3	Tokyo Standard	11.4	8.2
4	Private company	2.0	3.7
5	Net liquid assets	4.3	0.8

Size splits (market capitalisation of investments)

As at 31 January 2025

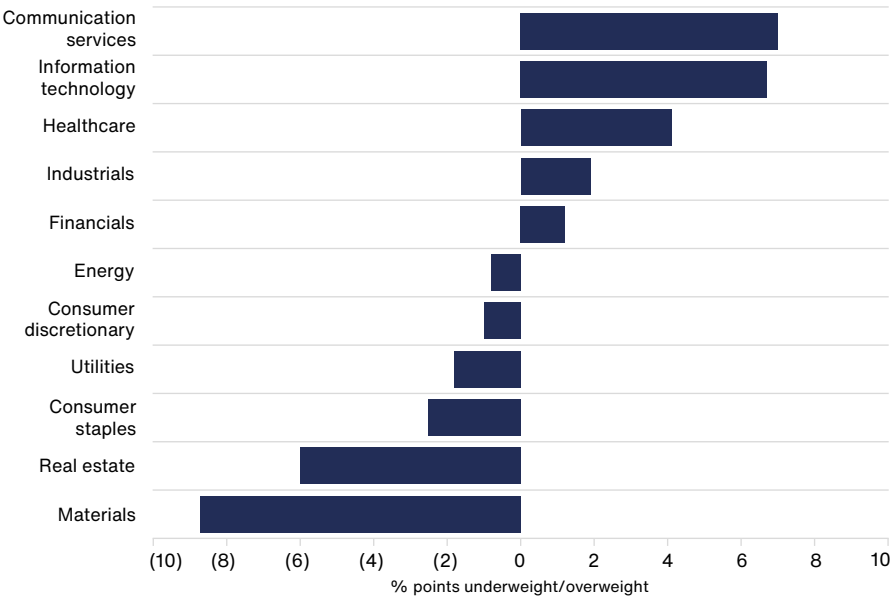


Source: Baillie Gifford/LSEG and relevant underlying index providers. See disclaimer on page 127.

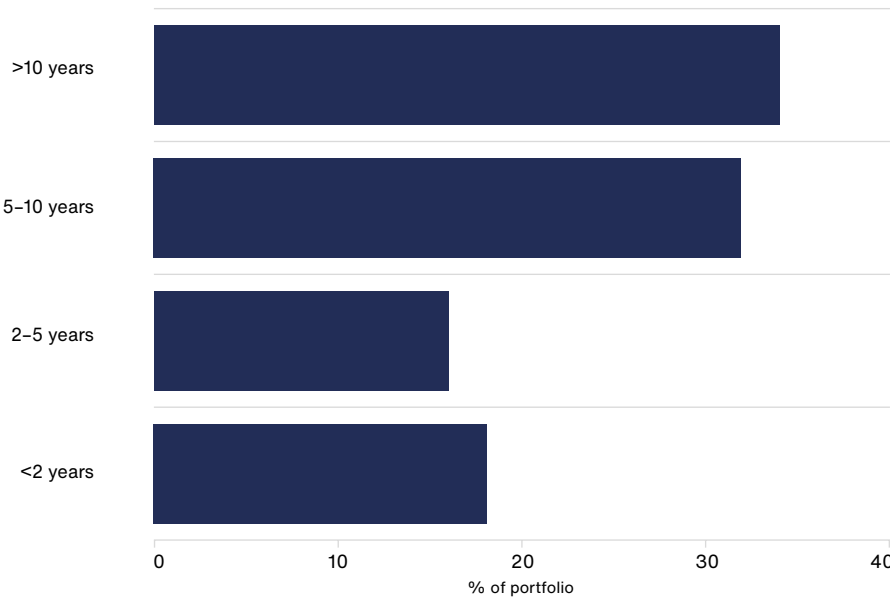
* For a definition of terms see Glossary of terms and Alternative Performance Measures on pages 129 to 132.

Portfolio weightings*

Relative to comparative index



Holding period



* Source: Baillie Gifford/Revolution and relevant underlying index providers. See disclaimer on page 127 and Glossary of terms and Alternative Performance Measures on pages 129 to 132.

Baillie Gifford – valuing private companies

We hold our private company investments at an estimation of ‘fair value’, i.e. the price that would be paid in an open-market transaction. Valuations are adjusted both during regular valuation cycles and on an ad hoc basis in response to ‘trigger events’. Our valuation process ensures that private companies are valued in both a fair and timely manner.

The valuation process is overseen by a valuations group at Baillie Gifford, which takes advice from an independent third party (S&P Global). The valuations group is independent from the investment team, as well as Baillie Gifford’s Private Companies Specialist team, with all voting members being from different operational areas of the firm, and the investment managers only receive final valuation notifications once they have been applied.

We revalue the private holdings on a three-month rolling cycle, with one-third of the holdings reassessed each month. During stable market conditions, and assuming all else is equal, each investment would be valued four times in a twelve-month period. Regarding the Trust’s private portfolio, the prices are also reviewed twice per year by the respective boards and are subject to the scrutiny of external auditors in the annual audit process.

Beyond the regular cycle, the valuations group also monitors the portfolio for certain ‘trigger events’. These may include changes in fundamentals, a takeover approach, an intention to carry out an Initial Public Offering (‘IPO’), company news which is identified by the valuation team or by the portfolio managers, or meaningful changes to the valuation of comparable public companies. Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published net asset value (‘NAV’). There is no delay.

The valuations team also monitors relevant market indices on a weekly basis and updates valuations in a manner consistent with our external valuer’s (S&P Global) most recent valuation report where appropriate.

The valuation movements in the year have been summarised below, pricing in the continued challenging market backdrop, coupled with some underperformance within the private portfolio.

	Average movement in company valuation	Average movement in share price
Shin Nippon*	-41.2 %	-46.7 %

* Data reflecting period 1 February 2024 – 31 January 2025 to align with the Company’s reporting period end.

Private companies summary

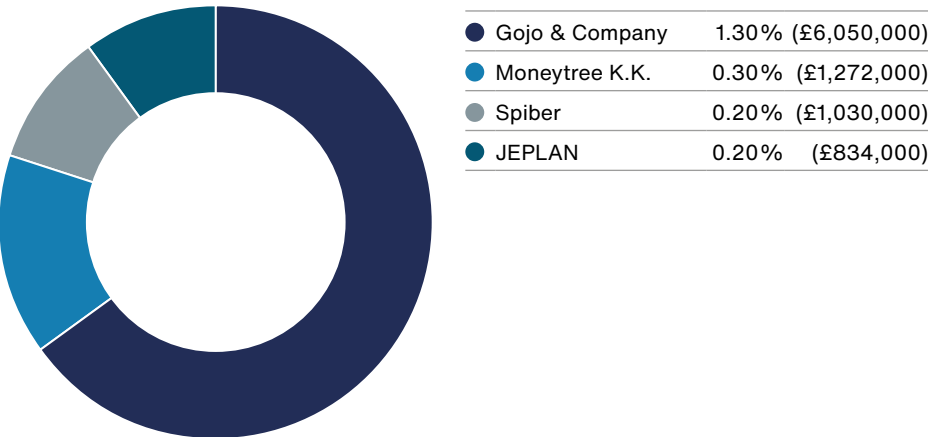
Historical snapshot

Since our first investment in private companies in 2017, Shin Nippon has deployed £20.14 million of capital in this area.

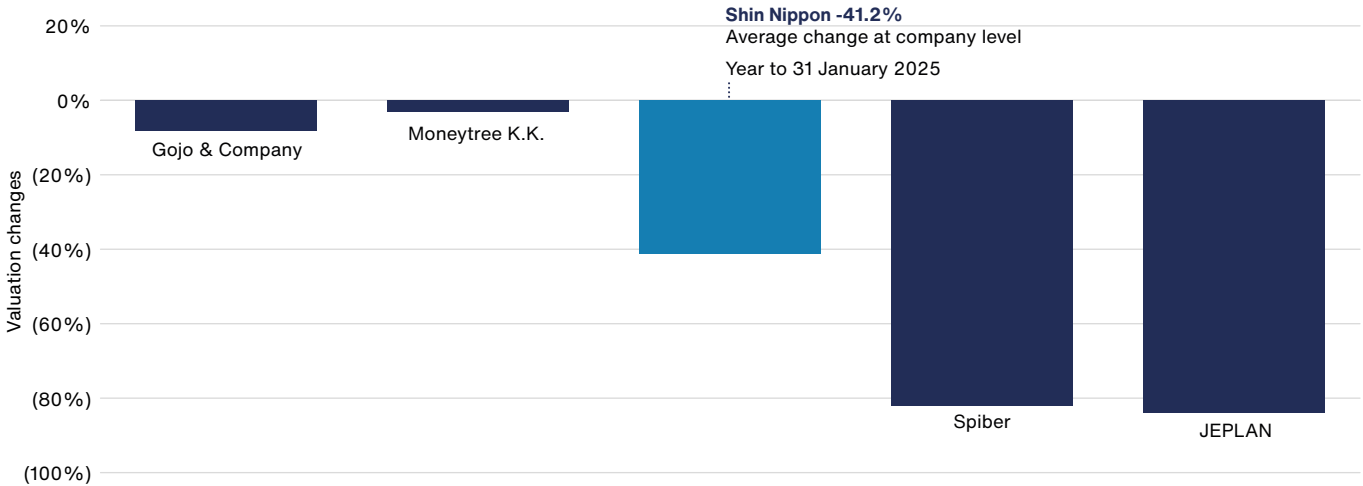
Portfolio activity – year to 31 January 2025

No new capital was deployed in private companies during the year. No private companies listed or were taken-over during the year.

Private exposure (31 January 2025)



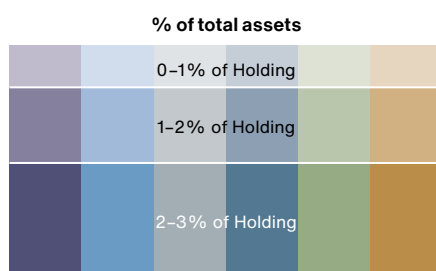
Valuation movements – year to 31 January 2025



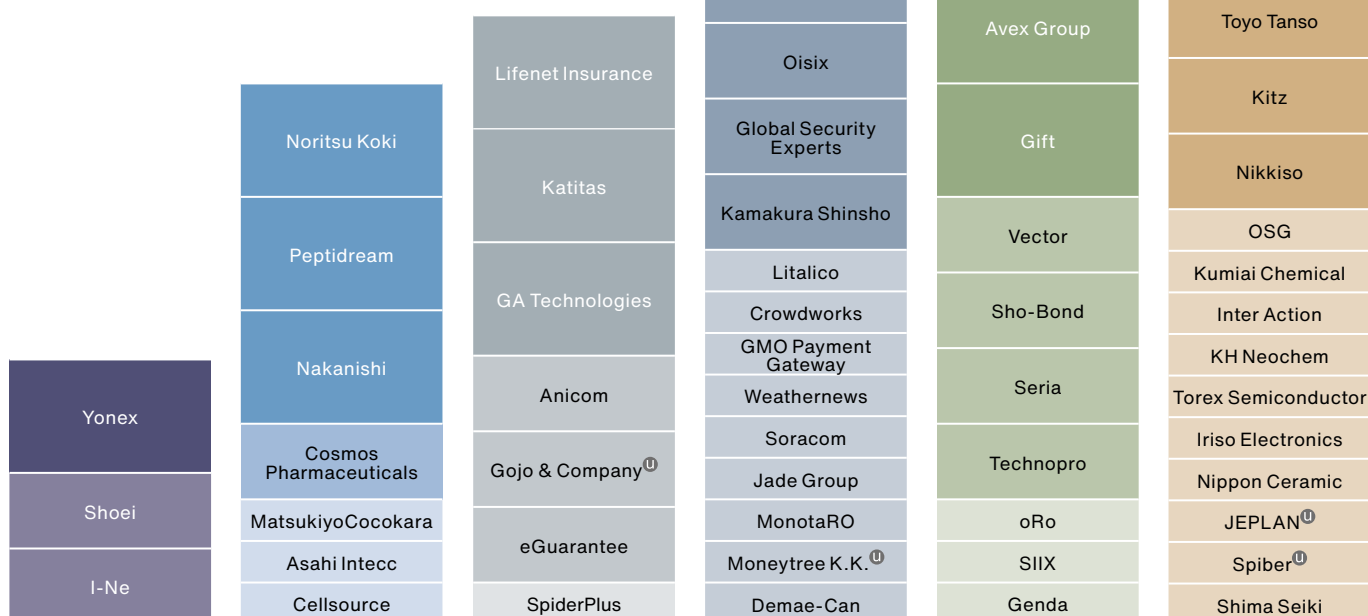
Portfolio by investment theme

as at 31 January 2025

	Total assets * %
Global brands	5.6
Healthcare	10.3
Real estate and niche financials	13.4
Online disruptors	23.8
Outsourcing/services	11.3
Niche manufacturers	31.3



Box height and shading represents stock portfolio weight.



Net liquid assets represent 4.3% of total assets.*

* See Glossary of terms and Alternative Performance Measures on pages 129 to 132.

^U Private company (unlisted) investment.

List of investments

as at 31 January 2025

Name	Business	2025 Value £'000	% of total assets #	Absolute performance † %	2024 Value £'000
Katitas	Real estate services	14,465	3.1	17.1	8,072
Lifenet Insurance	Online life insurance	14,347	3.0	49.4	12,017
Megachips	Electronic components	13,318	2.8	21.1	13,289
Nifco	Value-added plastic car parts	12,886	2.7	(5.3)	10,387
SWCC	Electric wire and cable manufacturer	12,625	2.7	145.7	6,756
JEOL	Manufacturer of scientific equipment	12,617	2.7	(16.9)	10,589
GA Technologies	Interactive media and services	12,372	2.6	3.6	11,586
Yonex	Sporting goods	11,906	2.5	69.4	6,913
Appier Group	Software as a service company providing AI platforms	11,679	2.5	(10.6)	8,128
Raksul	Internet based services	11,479	2.4	13.9	8,843
Anest Iwata	Manufactures compressors and painting machines	11,060	2.3	3.3	10,924
Harmonic Drive Systems	Robotic components	11,033	2.3	22.5*	–
Infomart	Internet platform for restaurant supplies	10,886	2.3	(21.0)*	–
Avex Group	Entertainment management and distribution	10,379	2.2	1.6	6,916
Noritsu Koki	Holding company with interests in biotech and agricultural products	10,360	2.2	51.4	8,183
Gift	Food industry operator and distributor	10,334	2.2	16.8	–
Tsugami	Manufacturer of automated machine tools	10,224	2.2	38.9	6,357
Nakanishi	Dental equipment	9,947	2.1	4.6	9,721
Peptidream	Drug discovery and development platform	9,907	2.1	59.7	5,069
Inforich	Software Company	9,831	2.1	4.7*	–
Top 20		231,655	49.0		
Cybozu	Develops and markets internet and intranet application software for businesses	9,389	2.0	20.5	7,470
Cosmos Pharmaceuticals	Drugstore chain	8,755	1.8	(10.8)	12,231
Vector	PR Company	8,367	1.8	(13.7)	6,073
Kohoku Kogyo	Manufacturer of undersea cable lead terminals	7,917	1.7	55.3	5,429
Sho-Bond	Infrastructure reconstruction	7,560	1.6	(24.2)	12,017
Shoei	Manufactures motor cycle helmets	7,463	1.6	8.2	9,917
Anicom	Pet insurance provider	7,395	1.6	11.8*	–
Bengo4.com	Online legal consultation	7,226	1.5	(32.6)	9,371

* Figures relate to part period returns where the investment has been purchased in the period.

See Glossary of terms and Alternative Performance Measures on pages 129 to 132.

† Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 February 2024 to 31 January 2025.

Name	Business	2025 Value £'000	% of total assets #	Absolute performance † %	2024 Value £'000
GMO Financial Gate	Face-to-face payment terminals and processing services	7,140	1.5	(37.9)	13,482
Nittoku	Coil winding machine manufacturer	7,119	1.5	11.1	6,364
I-Ne	Hair care range	6,991	1.5	(16.3)	7,290
Horiba	Manufacturer of measuring instruments	6,889	1.4	(18.9)	11,742
Optex	Infrared detection devices	6,622	1.4	(11.7)	9,190
Istyle	Beauty product review website	6,598	1.4	21.4	3,928
Toyo Tanso	Electronics company	6,165	1.3	(20.6)	12,219
Seria	Discount retailer	6,136	1.3	(2.6)	5,712
Gojo & Company Inc Ord ^①	Diversified financial services	6,050	1.3	(11.1)	6,807
Oisix	Organic food website	5,987	1.3	2.5	4,375
Technopro	IT staffing	5,912	1.2	(9.8)	9,094
Global Security Experts	Cyber Security Company	5,273	1.1	(1.1)*	-
Kitz	Industrial valve manufacturer	5,044	1.1	(2.8)	7,127
Kamakura Shinsho	Information processing company	4,829	1.0	(19.2)	5,732
Nikkiso	Industrial pumps and medical equipment	4,716	1.0	(6.9)	6,958
eGuarantee	Guarantees trade receivables	4,683	1.0	(11.3)	8,053
Asahi Intecc	Specialist medical equipment	4,501	0.9	(9.7)	10,658
SpiderPlus	Construction project management platform	4,263	0.9	(45.1)	6,811
Litalico	Provides employment support and learning support services for people with disabilities	4,211	0.9	(50.4)	13,272
OSG	Manufactures machine tool equipment	4,148	0.9	(15.1)	9,168
MatsukiyoCocokara	Retail company	4,082	0.9	(15.9)	9,887
oRo	Develops and provides enterprise planning software	3,799	0.8	(17.2)	4,667
Crowdworks	Crowd sourcing services	3,597	0.8	(4.9)	4,054
Kumiai Chemical	Specialised agrochemicals manufacturer	3,385	0.7	(10.1)	7,638
GMO Payment Gateway	Online payment processing	3,351	0.7	(10.5)	4,674
Weathernews	Weather information services	3,057	0.6	30.7	4,155
KH Neochem	Chemical manufacturer	3,011	0.6	(8.5)	5,800
Inter Action	Semiconductor equipment	2,636	0.5	(2.2)	4,210
Jade Group	Ecommerce services provider	2,202	0.5	(33.4)	3,633
Soracom	Networking software provider	2,185	0.5	34.8*	-
Torex Semiconductor	Semiconductor company	2,147	0.4	(33.4)	6,380
MonotaRO	Online business supplies	1,824	0.4	85.5	3,304
Cellsource	Company engaged in regenerative medicine	1,621	0.3	(33.9)	2,026
Iriso Electronics	Specialist auto connectors	1,555	0.3	(24.6)	5,962
Moneytree K.K. Class B Preferred ^①	AI based fintech platform	1,272	0.3	(9.2)	1,401
Nippon Ceramic	Electronic component manufacturer	1,181	0.2	(8.9)	4,852
Spiber ^①	Textiles	1,030	0.2	(83.3)	6,172
JEPLAN ^①	Chemical PET recycling	834	0.2	(84.5)	5,372
Genda	Operates as a holding company for entertainment businesses	659	0.1	11.1*	-

^① Private company (unlisted) investment.

* Figures relate to part period returns where the investment has been purchased in the period.

See Glossary of terms and Alternative Performance Measures on pages 129 to 132.

† Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 February 2024 to 31 January 2025.

Name	Business	2025 Value £'000	% of total assets #	Absolute performance † %	2024 Value £'000
Shima Seiki	Machine industry company	342	0.1	(33.4)	3,498
SIIX	Out-sources overseas production	258	0.1	(27.2)	8,340
Demae-Can	Online meal delivery service	179	<0.1	(45.5)	4,722
Total investments		453,211	95.7		
Net liquid assets#		20,155	4.3		
Total assets#		473,366	100		
Bank loans		(83,676)	(17.7)		
Shareholders' funds		389,690	82.3		

† Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 February 2024 to 31 January 2025.

Source: Baillie Gifford/Revolution and relevant underlying index data providers. See disclaimer on page 127.

* Figures relate to part period returns where the investment has been purchased in the period.

① Private company (unlisted) investment.

See Glossary of terms and Alternative Performance Measures on pages 129 to 132.

	Listed equities %	Private company investments *	Net liquid assets † %	Total assets † %
31 January 2025	93.8	1.9	4.3	100.0
31 January 2024	95.5	3.7	0.8	100.0

* Includes holdings in ordinary shares and preference shares.

† See Glossary of terms and Alternative Performance Measures on pages 129 to 132.

Business review

Business model

Business and status

Baillie Gifford Shin Nippon PLC ('the Company') is a public company limited by shares and is incorporated in Scotland. The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital although, subject to shareholder approval sought annually, it may purchase its own shares or issue shares. The price of shares is determined, like other quoted shares, by supply and demand.

The Company has been approved as an investment trust by HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Tax Regulations 2011.

The Company is an Alternative Investment Fund ('AIF') for the purposes of the UK Alternative Investment Fund Managers Regulations.

Change to Investment Policy

As explained in the Chair's Statement on page 8, a non-material change to the Investment Policy was approved by the Board on 2 April 2025. Previously the policy restricted investee companies to those with a market capitalisation or turnover of less than ¥150bn at time of initial purchase. This limit had been restricting new purchases to companies that are now in approximately the bottom 20% of the MSCI Japan Small Cap Index in terms of market cap. The Board has replaced the fixed limit with a relative restriction based on the composition of the MSCI Japan Small Cap Index at any given time. The Investment Policy is set out below, with the new investment restriction underlined.

Objective and policy

Baillie Gifford Shin Nippon's objective is to pursue long term capital growth through investment principally in small Japanese companies which are believed to have above average prospects for growth. The Company will invest primarily in companies that, at the time of initial investment, are constituents of the MSCI Japan Small Cap Index (the "Index"). However, the Company would typically expect to invest in 'small' companies that have market capitalisations at or below the average market capitalisation of the companies within the Index at the time of initial investment.

The portfolio is constructed through the identification of individual companies which offer long term growth potential, typically over a five year horizon. The portfolio is actively managed and does not seek to track the comparative index, hence a degree of volatility against the index is inevitable.

In constructing the equity portfolio a spread of risk is achieved by diversifying the portfolio through investment in 40 to 80 companies. Although sector concentration and the thematic characteristics of the portfolio are carefully monitored, there are no maximum limits to deviation from comparative index stock or sector weights.

Exposure to any single company is limited to 5% of the Company's total assets, measured at the time of investment. Exposure to a single company that, as a result of performance, exceeds 5% of the Company's total assets is subject to particular scrutiny but may be maintained at a level in excess of 5% where the Managers are convinced of the ongoing merits of the investment case.

The Company may invest in UK and Overseas domiciled collective investment schemes, including UK listed investment trusts, that invest principally in Japanese securities. On acquisition, no more than 15% of the Company's total assets will be invested in such companies or funds.

The portfolio is expected to consist of predominantly quoted equity holdings, however unlisted investments may also be held. Unlisted investments shall not exceed 10% of the total assets of the Company in aggregate, measured at the time of investment.

From time to time, fixed interest instruments, or non-equity investments, may be held on an opportunistic basis. The Company may use derivatives which will be principally, but not exclusively, for the purpose of efficient portfolio management (i.e. for the purpose of reducing, transferring or eliminating investment risk in its investments, including protection against currency risks).

The Company recognises the long-term advantages of gearing. Although the Company may have maximum equity gearing of 50% of shareholders' funds, the Board would seek to have a maximum equity gearing level of 30% of shareholders' funds at the time of drawdown.

Borrowings

Borrowings are typically invested in securities when it is considered that investment grounds merit the Company taking a geared position to securities. Gearing levels, and the extent of equity gearing, are discussed by the Board and Managers at every Board meeting. The Managers are tasked with ensuring that gearing is managed efficiently and within the parameters set by the Board and any loan covenants.

Facility amount	Facility type	Lender	Maturing	Drawings
¥7,100 million	Secured revolving credit	Bank of America, N.A.	7 November 2027	Fully drawn
¥2,000 million	Secured revolving credit	ING Bank N.V.	3 March 2026	Fully drawn
¥7,000 million	Secured revolving credit	ING Bank N.V.	23 November 2026	Fully drawn

During the year, the existing secured three-year ¥5bn and seven-year ¥2.1bn fixed rate facilities with ING Bank N.V. ('ING') were refinanced on expiry with Bank of America, N.A. London Branch ('Bank of America'). Additionally, following the financial period end, the remaining ¥2bn and ¥7bn revolving credit facilities with ING were cancelled and incorporated into the cheaper secured revolving credit facility with Bank of America (extended to ¥16.1bn).

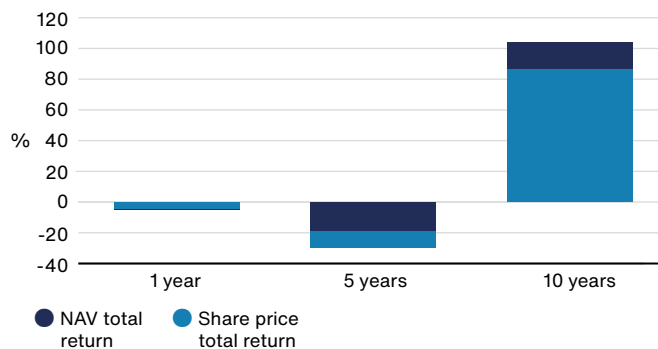
The main covenants relating to the loans are that borrowings should not exceed 35% of the Company's adjusted net asset value and the Company's net asset value should be at least £225 million. There were no breaches in the loan covenants during the year.

Key performance indicators

The Board uses key performance indicators (KPIs) to measure the progress and performance of the Company over time when discharging its duties as set out on page 67. These KPIs are established industry measures and an explanation of how they are calculated can be found in the Glossary of terms and Alternative Performance Measures ('APM') on pages 129 to 132. The performance measures below are to 31 January 2025.

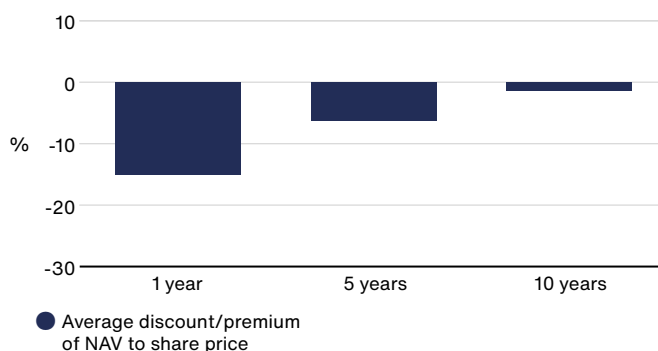
Share price and net asset value total returns (APM)

The total return is the return to shareholders after reinvesting any net dividend on the date that the share price goes ex-dividend.



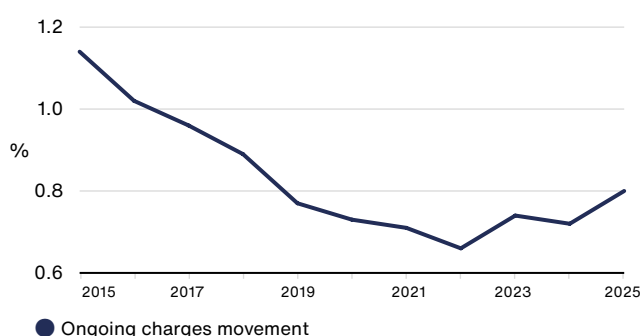
Share price discount/premium (APM)

As stock markets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. If the share price is higher than the NAV per share, this situation is called a premium.



Ongoing charges (APM)

Ongoing charges are the total recurring expenses (excluding the Company's cost of dealing in investments and borrowing costs) incurred by the Company as a percentage of the daily average net asset value.



The Board also has regard to the total return of the Company's principal comparative index (MSCI Japan Small Cap Index (total return and in sterling terms)) and considers the performance of comparable companies. Across these measures, the Board looks for relative outperformance over the long term, while remaining mindful that the nature of the investment policy and the growth characteristics of the portfolio investments may entail periods of underperformance over the short


and medium term. The Board has committed to a one-off tender offer for up to 15% of the issued share capital if the NAV total return per share (with debt valued at fair value) over the 3 years to 31 January 2027 underperforms the MSCI Japan Small Cap index (in sterling terms). Discussion on the current year's performance is included in the Chair's statement on pages 7 to 10. The one, five and ten year records of the KPIs are shown on pages 24 to 29.

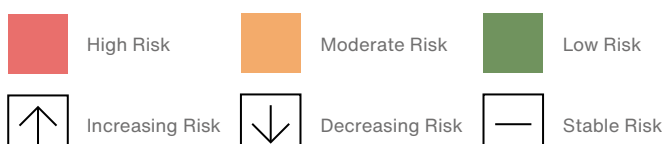
Principal and emerging risks

As explained on pages 76 and 77 there is a process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The Directors have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, regulatory compliance, solvency or liquidity. There have been no material changes to the principal risks during the year. A description of these risks, an assessment of the risk level and how they are being managed or mitigated is set out below.


The Board considers the heightened macroeconomic and geopolitical concerns to be factors which exacerbate existing risks, rather than discrete risks, within the context of an investment trust. Their impact is considered within the relevant risks.

Financial risk

What is the risk?	How is it managed?	Rating and change	Current assessment of risk
<p>The Company's assets consist mainly of listed securities (98.0% of the investment portfolio) and its principal financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 18 to the Financial Statements on pages 109 to 115.</p>	<p>The Board has, in particular, considered the impact of market volatility due to macroeconomic factors such as higher inflation and geopolitical concerns. To mitigate this risk the Board considers at each meeting various portfolio metrics including individual stock performance and weightings, the top and bottom contributors to performance and relative sector weightings against the comparative index. The portfolio manager provides rationale for stock selection decisions. A comprehensive strategy meeting is held annually to facilitate challenge of the Company's strategy. The Board has considered the potential impact on the yen/sterling exchange rate of various geopolitical events. The value of the Company's investment portfolio would be affected by any impact, positively or negatively, on sterling but would be partially offset by the effect of exchange movements on the Company's yen denominated borrowings.</p>		<p>Risk level: High</p> <p>This risk is considered to have increased as market volatility from ongoing geopolitical instability has a greater impact on the share prices of smaller companies which are typically more sensitive than larger companies to market sentiment and macroeconomic shocks.</p>



Private company (unlisted) investment risk

What is the risk?	How is it managed?	Rating and change	Current assessment of risk
<p>The Company's liquidity risk could be increased by its investment in private company securities. These assets may be more difficult to buy or sell, assessment of their value is more subjective than for investments listed on a recognised stock exchange and their valuations may be perceived to be more volatile or out of date.</p>	<p>To mitigate this risk, the Board considers the private company securities in the context of the overall investment strategy and provides guidance to the Managers on the maximum exposure to private company securities. Valuations of private companies are carried out on a frequent basis by the Manager and updated regularly for identified changes in operational developments or recent transactions in shares. The Board reviews the valuations in detail which are carried out by a third party valuation specialist, subject to the Managers' private company valuation specialist input and is also subject to external audit scrutiny annually. The investment policy limits the amount which may be invested in private company securities to 10% of the total assets of the Company in aggregate, measured at the time of investment.</p>	<div></div>	<p>Risk level: Moderate</p> <p>This risk is considered to have increased as private company investment valuation risk increases in volatile markets. The more difficult fundraising environment and IPO conditions increase overall investment risk conditions for private companies.</p> <p>There has been no change to the number of private company investments during the period.</p>

Performance and investment strategy risk

What is the risk?	How is it managed?	Rating and change	Current assessment of risk
<p>Pursuit of an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate or out of favour, or the ineffective implementation of an attractive or appropriate strategy from poor stock selection and management of gearing, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company's shares. This may lead to the Company's shares trading at a widening discount to their net asset value.</p>	<p>To mitigate this risk, the Board regularly reviews and monitors the Company's objective and investment policy and strategy, the investment portfolio and its performance, the level of discount/premium to net asset value at which the shares trade and movements in the share register and raises any matters of concern with the Managers. Following a thorough review of the investment strategy in November 2024, the Board and the Managers have decided to appoint a deputy portfolio manager and make a non-material change to the Investment Policy (see Chair's Statement on page 8).</p>	<div></div>	<p>Risk level: High</p> <p>This risk is considered to be increasing as the market's appetite for growth stocks, typically held by the Company, has decreased during the recent period of ongoing macroeconomic and geopolitical concerns.</p>

 High Risk

 Moderate Risk

 Low Risk

 Increasing Risk

 Decreasing Risk

 Stable Risk

Climate and governance risk

What is the risk?

Perceived problems on environmental, social and governance ('ESG') matters in an investee company could lead to that company's shares being less attractive to investors, adversely affecting its share price, in addition to potential valuation issues arising from any direct impact of the failure to address the ESG weakness on the operations or management of the investee company (for example in the event of an industrial accident or spillage). Repeated failure by the Managers to identify ESG weaknesses in investee companies could lead to the Company's own shares being less attractive to investors, adversely affecting its own share price. In addition the valuation of investments could be impacted by climate change.

How is it managed?

This is mitigated by the Managers' strong ESG stewardship and engagement policies which are available to view on the Managers' website, [bailliegifford.com](https://www.bailliegifford.com), and which have been reviewed and endorsed by the Company, and which have been fully integrated into the investment process as well as the extensive up-front and ongoing due diligence which the Manager undertakes on each investee company. Due diligence includes assessment of the risks inherent in climate change (see page 78).

Rating and change



Current assessment of risk

Risk level: Moderate
This risk is considered to be unchanged. The Manager continues to employ strong ESG stewardship and engagement policies.

Discount risk

What is the risk?

The discount/premium at which the Company's shares trade relative to its net asset value can change. The risk of a widening discount is that it may undermine investor confidence in the Company and shareholders selling their shares will get less than the net asset value of those shares.

How is it managed?

To manage this risk, the Board monitors the level of discount/premium at which the shares trade and the Company has authority to buy back its existing shares, when deemed by the Board to be in the best interests of the Company and its shareholders. The Board has committed to a one-off tender offer for up to 15% of the issued share capital if the NAV total return per share (with debt valued at fair value) over the 3 years to 31 January 2027 underperforms the MSCI Japan Small Cap index (in sterling terms).

Over the year to 31 January 2025 the Company bought back 30.3m shares (2024: 4.4m shares) to be held in treasury.

The Board continues to closely monitor the discount and the impact of the current buyback programme being deployed.

Rating and change



Current assessment of risk

Risk level: High
This risk is considered to have increased as there is an elevated risk that sentiment towards the Company's shares could deteriorate resulting in a widening of the discount. The Company's discount was unchanged at the year end compared to 31 January 2024.



High Risk



Moderate Risk



Low Risk



Increasing Risk




Decreasing Risk




Stable Risk

Regulatory risk

What is the risk?	How is it managed?	Rating and change	Current assessment of risk
Failure to comply with applicable legal and regulatory requirements such as the tax rules for investment trust companies, the FCA Listing Rules and the Companies Act could lead to suspension of the Company's Stock Exchange listing, financial penalties, a qualified audit report or the Company being subject to tax on capital gains.	To mitigate this risk, Baillie Gifford's Business Risk, Internal Audit and Compliance departments provide regular reports to the Audit Committee on Baillie Gifford's monitoring programmes. Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation is made to ensure that the special circumstances of investment trusts are recognised. Shareholder documents and announcements, including the Company's published Interim and Annual Report and Financial Statements, are subject to stringent review processes and procedures are in place to ensure adherence to the Transparency Rules and the Market Abuse Regulation with reference to inside information.		Risk level: Low This risk is considered to be unchanged. All control procedures are working effectively. There have been no material regulatory changes that have impacted the Company during the year.

Custody and depositary risk

What is the risk?	How is it managed?	Rating and change	Current assessment of risk
Safe custody of the Company's assets may be compromised through control failures by the Depositary, including cyber security incidents.	To mitigate this risk, the Audit Committee receives six-monthly reports from the Depositary confirming safe custody of the Company's assets held by the Custodian. Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers who also agree uncertificated private portfolio holdings to confirmations from investee companies. In addition, the existence of assets is subject to annual external audit and the Custodian's audited internal controls reports are reviewed by Baillie Gifford's Business Risk department. A summary of the key points is reported to the Audit Committee and any concerns investigated.		Risk level: Low This risk is considered to be unchanged. All control procedures are working effectively.

 High Risk

 Moderate Risk


 Low Risk

 Increasing Risk


 Decreasing Risk

 Stable Risk

Small company risk

What is the risk?	How is it managed	Rating and change	Current assessment of risk
The Company has investments in smaller companies which are generally considered higher risk as changes in their share prices may be greater and the shares may be harder to sell. Smaller companies may do less well in periods of unfavourable economic conditions.	To mitigate this risk, the Board reviews the investment portfolio at each meeting and discusses the investment case and portfolio weightings with the Managers. A spread of risk is achieved by holding a minimum of 40 companies and the relative industry weightings against the comparative index are considered at each Board meeting. Following a thorough review of the investment strategy in November 2024, the Board and the Managers have decided to appoint a deputy portfolio manager and make a non-material change to the Investment Policy (see Chair’s Statement on pages 8 and 9).		Risk level: High This risk is considered to have increased as market volatility from ongoing geopolitical instability has a greater impact on the share prices of smaller companies which are typically more sensitive to market sentiment and macroeconomic shocks.

Operational risk

What is the risk?	How is it managed?	Rating and change	Current assessment of risk
Failure of Baillie Gifford’s systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets.	To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption. The Audit Committee reviews Baillie Gifford’s Report on Internal Controls and reports by other key third party providers are reviewed by Baillie Gifford on behalf of the Board and a summary of the key points is reported to the Audit Committee and any concerns investigated. The other key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.		Risk level: Low All control procedures are working effectively.

 High Risk

 Moderate Risk

 Low Risk

 Increasing Risk

 Decreasing Risk

 Stable Risk

Cyber security risk

What is the risk?

A cyber attack on Baillie Gifford's network or that of a third party service provider could impact the confidentiality, integrity or availability of data and systems.

How is it managed?

To mitigate this risk, the Audit Committee reviews Reports on Internal Controls published by Baillie Gifford and other third party service providers. Baillie Gifford's Business Risk Department report to the Audit Committee on the effectiveness of information security controls in place at Baillie Gifford and its business continuity framework. Cyber security due diligence is performed by Baillie Gifford on third party service providers which includes a review of crisis management and business continuity frameworks.

Rating and change



Current assessment of risk

Risk level: Moderate
This risk is considered to be increasing due to ongoing geopolitical tensions and an observed increase in malign cyber activity. Emerging technologies, including AI, could potentially increase information security risks. In addition, service providers operate a hybrid approach of remote and office working, thereby increasing the potential of a cyber security threat.

Leverage risk

What is the risk?

The Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the impact of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings.

How is it managed?

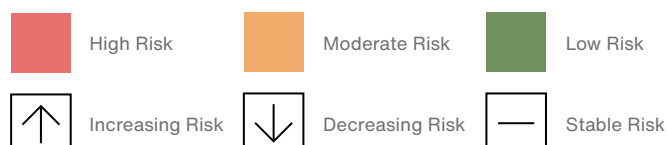
To mitigate this risk, all borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. Covenant levels are monitored regularly. Details of the Company's current borrowing facilities can be found in note 11 on page 107. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found on page 124 and the Glossary of terms and Alternative Performance Measures on pages 129 to 132.

Rating and change



Current assessment of risk

Risk level: Moderate
This risk is considered to be increasing due to the impact of gearing during a period of underperformance.
The level of gearing reduced from 18% to 16% over the year. During the year, the existing secured three-year ¥5bn and seven-year ¥2.1bn fixed rate facilities with ING Bank N.V. ('ING') were refinanced on expiry with a ¥7.1bn revolving credit facility with Bank of America, N.A. London Branch (Bank of America') expiring on 7 November 2027. Additionally, following the financial period end, the remaining ¥2bn and ¥7bn revolving credit facilities with ING were cancelled and incorporated into the cheaper secured revolving credit facility with Bank of America (extended to ¥16.1bn).
The Company's revolving credit facilities can be repaid with no penalties, should the decision be taken to reduce gearing.



Political and associated financial risk

What is the risk?

The Board is of the view that political change in areas in which the Company invests or may invest may have financial consequences for the Company.

How is it managed?

Political developments are closely monitored and considered by the Board. The Board has particular regard to macroeconomic and geopolitical tensions, and considers the potential for negative impact of military action or trade barriers.

Rating and change

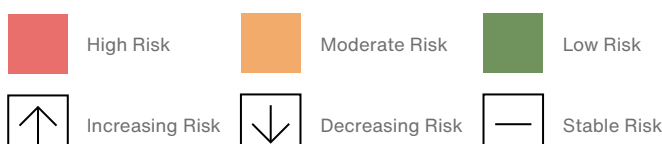


Current assessment of risk

Risk level: High
This risk is considered to be increasing as governments and consumers around the world continue to assess the impact of geopolitical and macroeconomic tensions.

Emerging risk

As explained on pages 76 and 77 of the Annual Report and Financial Statements, the Board has regular discussions on principal risks and uncertainties, including any risks which are not an immediate threat but could arise in the longer term. The Board considers that the key emerging risks arise from the interconnectedness of global economies and the related exposure of the investment portfolio to external and emerging threats such as the societal and financial implications of escalating geopolitical tensions, cyber security risks including developing AI and quantum computing capabilities, and new coronavirus variants or similar public health threats. This is mitigated by the Managers' close links to the investee companies and their ability to ask questions on contingency plans. The Managers believe the impact of such events may be to slow growth rather than to invalidate the investment rationale over the long term.



Viability statement

In accordance with provision 31 of the UK Corporate Governance Code the Directors have assessed the prospects of the Company over a period of five years. The Directors continue to believe this period to be appropriate as it reflects the Company's longer term investment strategy and to be a period during which, in the absence of any adverse change to the regulatory environment and to the tax treatment afforded to UK investment trusts, they do not expect there to be any significant change to the current principal risks facing the Company nor to the effectiveness of the controls employed to mitigate those risks. Furthermore, the Directors do not reasonably envisage any change in strategy or any events which would prevent the Company from operating over a period of five years. The Directors continue to believe that the prospects for Japanese small companies remain positive over the long term.

In considering the viability of the Company, the Directors have conducted a robust assessment of each of the principal and emerging risks and uncertainties detailed on pages 49 to 55 and in particular the impact of market risk where a significant fall in Japanese small equities markets would adversely impact the value of the investment portfolio. The Directors have also considered the Company's leverage and liquidity in the context of the secured bank loans which, following the early cancellation of the ING facilities and incorporation into the Bank of America facility, expire on 7 November 2027 (see note 11 on page 107). Although the Directors do not envisage difficulty with refinancing the bank loan, the majority of the investments are quoted securities which are readily realisable and could be sold to repay borrowings if required. Similarly, investments can be realised to meet expenses to the extent that they exceed the portfolio income. Specific leverage and liquidity stress testing was conducted during the year. Stress tests are applied to the portfolio to identify the commitment leverage of the Company in two scenarios: (i) gross assets reduce by 25%; and (ii) gross assets reduce by 50%. Stress tests are also performed to determine the impact on revenue earnings per share as a result of an increase and decrease in projected portfolio income of 25%. Consideration is also given to the risk of further market deterioration and no matters of concern were noted. The Directors have considered the potential impact of the commitment to a performance-triggered tender offer for up to 15% of the Company's issued share capital to be implemented, subject to shareholder approval, around the time of the Company's Annual General Meeting in 2027. Relevant stress testing has been performed and no matters

of concern were noted. In addition, all of the key operations required by the Company are outsourced to third party service providers and it is reasonably considered that alternative providers could be engaged at relatively short notice.

Based on the Company's processes for monitoring revenue projections, share price premium/discount, the Managers' compliance with the investment objective, asset allocation, the portfolio risk profile, leverage, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

Promoting the success of the Company (section 172 statement)

Under section 172 of the Companies Act 2006, the directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters and to the extent applicable) to: a) the likely consequences of any decision in the long term, b) the interests of the company's employees, c) the need to foster the company's business relationships with suppliers, customers and others, d) the impact of the company's operations on the community and the environment, e) the desirability of the company maintaining a reputation for high standards of business conduct, and f) the need to act fairly as between members of the company.

In this context and having regard to Baillie Gifford Shin Nippon being an externally-managed investment company with no employees, the Board considers that the Company's key stakeholders are its existing and potential new shareholders, its externally-appointed Managers (Baillie Gifford) and other professional service providers (corporate broker, registrar, auditor and depositary), lenders, portfolio companies, wider society and the environment.

The Board considers that the interests of the Company's key stakeholders are aligned, in terms of wishing to see the Company deliver sustainable long-term growth, in line with the Company's stated objective and strategy, and meet the highest standards of legal, regulatory, and commercial conduct, with the differences between stakeholders being merely a matter of emphasis on those elements.

The Board's methods for assessing the Company's progress in the context of its stakeholders' interests are set out on the following pages.

Stakeholder	Why we engage	How we engage and what we do
Shareholders	Shareholders are, collectively, the Company's owners: providing them with a return for their investment in accordance with the Company's investment policy and objective is the reason for its existence.	The Board places great importance on communication with shareholders. The Annual General Meeting provides an opportunity for the Board and Managers to present to shareholders on the Company's performance, future plans and prospects. It also allows shareholders the opportunity to meet with the Board and Managers and raise questions and concerns. The Chair is available to meet with shareholders as appropriate. The Managers meet regularly with shareholders and their representatives, reporting their views back to the Board. Directors also attend certain shareholder presentations, in order to gauge shareholder sentiment first hand. Shareholders may also communicate with members of the Board at any time by writing to them at the Company's registered office or to the Company's broker. These communication opportunities help inform the Board when considering how best to promote the success of the Company for the benefit of all shareholders over the long term.
Baillie Gifford – Managers and Secretaries	The Company's Board has delegated the management of the Company's portfolio, and the administration of the Company's operations including fulfilment of regulatory and taxation reporting requirements, to Baillie Gifford. Baillie Gifford is therefore responsible for the substantial activities of the Company and has the most immediate influence on its conduct towards the other stakeholders, subject to the oversight and strategic direction provided by the Board.	The Board seeks to engage with its Managers, and other service providers, in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, while also ensuring that appropriate and regular challenge is brought and evaluation conducted. This approach aims to enhance service levels and strengthen relationships with the Company's providers, with a view to ensuring the interests of the Company's shareholders are best served by keeping cost levels proportionate and competitive, and by maintaining the highest standards of business conduct.
Portfolio companies	As all of the Company's operations are conducted by third party professional providers, it is the companies held in its investment portfolio which have the primary real-world impact in terms of social and environmental change, both positively and negatively, as well as generating, through their commercial success, the investment growth sought by the Company's shareholders. The investee companies have an interest in understanding their shareholders' investment rationale in order to assure themselves that long-term business strategies will be supported.	The Board is cognisant of the need to consider the impact of the Company's investment strategy and policy on wider society and the environment. The Board considers that its oversight of environmental, social and governance ('ESG') matters is an important part of its responsibility to all stakeholders. The Board's review of the Managers includes an assessment of their ESG approach and its application in making investment decisions. The Board regularly reviews Governance Engagement reports, which document the Managers' interactions with investee companies on ESG matters (see pages 21 to 23).
Broker	The Company's broker provides an interface between the Company's Board and its institutional shareholders.	The Company's broker regularly attends Board meetings, and provides reports to those meetings, in order to keep the Board apprised of shareholder and wider market sentiment regarding the Company. They also arrange forums for shareholders to meet the Chair, or other Directors, outwith the normal general meeting cycle.
Registrar	The Company's registrar provides an interface with those shareholders who hold the Company's shares directly.	The Company Secretaries liaise with the registrar to ensure the frequency and accuracy of communications to shareholders is appropriate, and monitor shareholder correspondence to ensure that the level of service provided by the registrar is acceptable. The Manager's risk function reviews the registrars' internal controls report and reports on the outcome of this review to the Audit Committee.

Stakeholder	Why we engage	How we engage and what we do
Auditor	The Company's Auditor has a responsibility to provide an opinion on whether the Company's financial statements as a whole are free from material misstatement, as set out in the Auditor's report to the Members on pages 89 to 95.	The Company's Auditor meets with the Audit Chair and the Board, in the absence of the Managers where deemed necessary, and the Managers undertake to provide all information requested by the Auditor in connection with the Company's annual audit promptly and to ensure that it is complete and accurate in all respects.
Depository and custodian	The depository is responsible for the safekeeping of the Company's financial instruments, as set out in more detail on page 67.	The depository provides the Audit Committee with a report on its monitoring activities. The Board and Managers seek to engage with the depository and custodian in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, while also ensuring that appropriate and regular challenge is brought and evaluation conducted. This approach aims to enhance service levels and strengthen relationships with the Company's providers, with a view to ensuring the interests of the Company's shareholders are best served by keeping cost levels proportionate and competitive, and by maintaining the highest standards of business conduct.
Lenders	Lenders such as holders of debt instruments (debentures, bonds and private placement loan notes) and banks providing fixed or revolving credit facilities provide the Company's gearing as described on page 47 and have an interest in the Company's ongoing financial health and viability.	The Company's legal advisers review all legal agreements in connection with the Company's debt arrangements and advise the Board on the appropriateness of the terms and covenants therein. The Managers and Secretaries ensure that the frequency and accuracy of reporting on, for example, covenant certification, is appropriate and that correspondence from the lenders receives a prompt response.
AIC/industry peers	The Association of Investment Companies ('AIC') and the Company's investment trust industry peers have an interest in the Company's conduct and performance, as adverse market sentiment towards one investment trust can affect attitudes towards the wider industry.	The Company is a member of the AIC, and the Directors and/or the Managers and Secretaries (as appropriate) participate in technical reviews, requests for feedback on proposed legislation or regulatory developments, corporate governance discussions and/or training.
Investment platforms	Investment platforms provide an interface with shareholders who invest in the Company indirectly.	The Managers liaise with the various investment platforms on strategies for improving communications with the Company's shareholders who hold their shares via these platforms. An annual timetable of key dates is published on the Company's website, for the ease of reference of such shareholders.
Wider society and the environment	No entity, corporate or otherwise, can exist without having an influence on the society in which it operates or utilising the planet's resources. Through its third-party relationships, as noted above, the Company seeks to be a positive influence and, in circumstances where that is not possible, to mitigate its negative impacts insofar as is possible.	The Board and Managers' interactions with the various stakeholders as noted above form the principal forms of direct engagement with wider society and in respect of the environment (commercial, financial, and in terms of planetary health and resources).

The Board recognises the importance of keeping the interests of the Company and its stakeholders, in aggregate, firmly front of mind in its key decision making. The Company Secretaries are available at all times to the Board to ensure that suitable consideration is given to the range of factors to which the Directors should have regard. In addition to ensuring that the Company's stated investment objective was being pursued, key decisions and actions during the year which required the Directors to have regard to applicable section 172 factors included:

Key decision	Action
Share Buybacks	The buying back of 30.3 million of the Company's own shares into treasury at a discount to net asset value, for subsequent reissue, in order to ensure the Company's shareholders found liquidity for their shares when natural market demand was insufficient, and on terms that enhance net asset value for remaining shareholders.
Borrowings	Arranging a three year ¥7,100 million secured revolving credit facility with Bank of America, N.A. to refinance the ING Bank N.V. facilities expiring in November and December 2024, for the purpose of investing in exciting Japanese small cap opportunities, which the Board believes will enhance long term returns for shareholders. Additionally, following the financial period end, the remaining ¥2bn and ¥7bn revolving credit facilities with ING were cancelled on 28 February 2025 and incorporated into the cheaper secured revolving credit facility with Bank of America (extended to ¥16.1bn) delivering finance cost savings over the period to the original ING facilities' expiry date.
Change to Investment Policy and Appointment of Deputy Manager	A strategy review with the Managers resulting in the appointment of a deputy manager and a change to the Investment Policy to broaden the market cap of small companies permitted for investment with the aim of enhancing future returns to shareholders.
Proposal to Increase Distributable Reserves	The proposal to shareholders at the Annual General Meeting to reduce the share premium account and create an equivalent distributable reserve. This will provide a significant pool of reserves which can be used in future to fund distributions including dividends, and any returns of capital, including any future tender offer and share buybacks.
Dividend	The recommendation of a final dividend of 0.60p per share, being broadly the minimum required to maintain the Company's investment trust status and maximising the retention of funds for investment in order to deliver capital growth within the portfolio.

Employees, human rights and community issues

The Board recognises the requirement to provide information about employees, human rights and community issues. The Company has no employees. All its Directors are non-executive and all its functions are outsourced. There are therefore, no disclosures to be made in respect of employees, human rights and community issues. Further information on the Company's approach to environmental, social and governance ('ESG') matters are provided below.

Board representation

At 31 January 2025 the Board comprises five Directors, three male and two female. The Company has no employees. The Board's policy and disclosures on diversity are set out on page 75.

Environmental, social and governance policy

Details of the Company's policy on socially responsible investment can be found under 'Corporate governance and stewardship' on page 78 and the Managers' approach to stewardship and examples of portfolio company engagement are set out on pages 16 to 23.

The Company considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a slavery and human trafficking statement. In any event, the Company considers its supply chains to be of low risk as its suppliers are typically professional advisers. A statement by the Managers under the Act has been published on the Managers' website at bailliegifford.com.

Future developments of the Company

The outlook for the Company for the next year is set out in the Chair's statement on pages 7 to 10 and in the Managers' report on pages 11 to 15.

The Strategic report which includes pages 6 to 59 was approved by the Board on 2 April 2025.

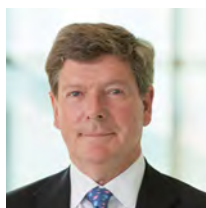
Jamie Skinner
Chair

Governance report

This governance report, which includes pages 60 to 87 outlines the Board's approach to the governance of your Company. We believe that good governance builds better outcomes and we are committed to high standards of corporate governance and transparency.

Directors and management

Directors



Jamie Skinner

Chair

Appointed 2018

Chair in 2023

Jamie Skinner was appointed a Director in 2018 and became Chair of the Audit Committee shortly thereafter. He was appointed Chair in May 2023. Jamie is a chartered accountant and a fellow of the Chartered Institute for Securities and Investment. He joined Cazenove & Co in 1989 as a corporate finance executive working principally on investment companies and also other sector IPO activity, and in 1995 he was appointed Managing Director of the Johannesburg office. In 1999 he joined Martin Currie Investment Management Limited as a director and in 2014 was appointed Head of Client Services. He served as President and CEO of The China Fund, Inc. until 2012, President and CEO of The Taiwan Fund, Inc. until 2014 and President of the Martin Currie Business Trust until 2015. He also served on the boards of Martin Currie, Inc. and the Martin Currie Japan Absolute Return Fund up to his retirement from Martin Currie on 31 July 2018. He was a non-executive director of Ediston Property Investment Company plc from 2018 until it went into voluntary liquidation on 6 January 2024.

Other commitments

Jamie is a non-executive director of the Asian Opportunities Absolute Return Fund Limited and Audit Chair of the Ashoka India Equity Trust plc. He is also Chairman of Finance at the Royal & Ancient Golf Club of St Andrews and is the investment trustee of the Wilson Christie Foundation.

Contribution to the Board

Jamie brings long experience of investment trusts from a corporate finance perspective and as head of a client service team responsible for the management of several funds. He has also been a member of investment boards for many years, serving in various capacities, including audit, remuneration, nomination and marketing.



**Professor Sethu
Vijayakumar**

Director

Appointed 2018

Professor Sethu Vijayakumar was appointed Director in 2018 and is the Senior Independent Director. He is the Professor of Robotics at the University of Edinburgh and the (Founding) Director of the Edinburgh Centre for Robotics. He holds additional responsibility as the Programme Director for Artificial Intelligence at The Alan Turing Institute, London, where he helps shape the UK National roadmap in Robotics and Autonomous Systems. He is a world-renowned roboticist, pioneering the data driven control of several iconic robotic platforms including a recent collaboration with the NASA Johnson Space Centre on the Valkyrie humanoid robot being prepared for unmanned robotic pre-deployment missions to Mars. He is a Fellow of the Royal Society of Edinburgh, a judge on BBC Robot Wars and winner of the 2015 Tam Dalyell Prize for Excellence in engaging the public with science. Sethu has strong ties with Japan having spent seven years in Tokyo during his PhD and postdoctoral training, still closely collaborates with several R&D firms and multinationals on translational research projects and is a fluent Japanese speaker.

Other commitments

Sethu holds the Chair of Robotics at the University of Edinburgh and is the Programme Director for AI and Robotics at the Alan Turing Institute, the UK’s National Institute for AI and Data Science.

Contribution to the Board

Sethu brings his substantial experience of working close to the latest advances in technology as well as the startup ecosystem – especially in the context of Japanese industries, SMEs, large scale governmental initiatives and academia. His advisory and reviewer roles of large-scale European R&D funding instruments such as Horizon 2020, DFG and ERC as well as the Japanese JST Moonshot projects gives him excellent visibility of current trends in cutting edge solutions to global challenges.



Kevin Troup

 Director

 Appointed 2020

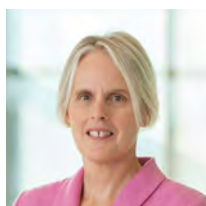
Kevin Troup was appointed to the Board in 2020. He became the Chair of the Audit Committee in May 2023. Kevin qualified as a Chartered Accountant in London in 1993 with Coopers & Lybrand. He was then an Investment Manager managing Japanese small and mid caps with Scottish Life from 1995. In 2000 he joined Martin Currie Investment Management managing Japanese Smaller Companies and gained further Japanese investment experience with Standard Life Investments from 2010 until retiring in 2018.

Other commitments

Kevin is Chair of the Risk, Audit and Compliance Committee at BT Pension Scheme Management Limited (trading as Brightwell) and is a director at Baring Fund Managers Limited and at European Assets Trust plc, another smaller companies investment trust. He is a director of Kintail Trustees Limited, the corporate trustee of The Robertson Trust charity where he is Chair of the Investment Committee.

Contribution to the Board

Kevin brings audit, risk, compliance and smaller company investment experience from across the financial services spectrum, including investment trusts, open-ended funds and pension schemes.



Abigail Rotheroe

 Director

 Appointed 2022

Abigail Rotheroe was appointed to the Board in 2022 and is Chair of the Nomination Committee. Abigail is a CFA® charterholder whose investment career began at Schroder Capital Management in 1987 as an analyst on the Japanese desk. She worked in Hong Kong for Schroders and then HSBC, managing specialist Asia/Pacific equity portfolios for Japanese clients. On her return to London in 1994, she joined Threadneedle Investments with responsibility for the Threadneedle Asia Growth Fund, Threadneedle Asia and Pacific inc. Japan Growth Fund and the TIML India Fund. Since 2013 Abigail has been involved in social and impact investing and in her most recent role was Investment Director of Snowball Impact Management which she left in August 2022.

Other commitments

Abigail is a non-executive director of Templeton Emerging Markets Investment Trust plc, HydrogenOne Capital Growth plc and Greencoat UK Wind PLC. She is an Investment Committee member/co-optee of Joseph Rowntree Charitable Trust, The Robertson Trust and a member of WHEB's Investment Advisory Committee.

Contribution to the Board

Abigail brings Japanese equity experience alongside her background as a retail asset manager, analyst and most recently an investment company investor. She also brings knowledge of sustainable and responsible investment.



Claire Finn

Director

Appointed 2021

Claire Finn was appointed to the Board in 2021. Claire began her career in Japan in 1995 before moving back to the UK in 1999. She worked for Tokyo Mitsubishi Bank in London from 1999 to 2001. In 2001 she joined Henderson Global Investors undertaking roles in client service and product development. In 2005 Claire joined Merrill Lynch Investment Managers (MLIM) as Vice President of Product Development. MLIM was subsequently bought by BlackRock and Claire moved into the distribution team, rising to the position of Managing Director of Defined Contributions, Unit Linked and Platforms. Claire left BlackRock in 2018 and transitioned to a portfolio career in 2019.

Other Commitments

Claire is currently the chair of UBS Asset Management Life Limited, and a director of The Law Debenture Corporation PLC, Octopus Apollo VCT PLC, Artemis Fund Managers Limited and Sparrows Capital Limited.

Contribution to the Board

Claire brings investment management experience including distribution to retail and institutional investors, product development and corporate governance. She has also lived and worked in Japan and speaks Japanese fluently.

The Directors listed on the prior pages were in office during the year to 31 January 2025 and remained in office as at 2 April 2025.

All Directors are members of the Nomination and Audit Committees with the exception of Mr Skinner who stepped down from the Audit Committee on being appointed Chair of the Board in May 2023.

**Praveen Kumar**

Investment Manager

Appointed 2015

Praveen joined Baillie Gifford in 2008 and is an Investment Manager in the Japanese Equities Team. He became Manager of Baillie Gifford Shin Nippon in 2015. Praveen is also the Manager of the Baillie Gifford Japanese Smaller Companies Fund, Deputy Manager of The Baillie Gifford Japan Trust, and was a founding member of the Baillie Gifford International Smaller Companies Strategy. Praveen graduated BEng in Computer Science from Bangalore University in 2001 and gained an MBA from the University of Cambridge in 2008. He previously worked for FKI Logistex as a management consultant. After completing the investment graduate trainee programme Praveen joined the Japanese Equities Team as an Investment Manager in 2011.

**Brian Lum**

Deputy Manager

Appointed 2025

Brian joined Baillie Gifford in 2006. He is head of the Smaller Companies team and Lead Investment Manager on the International Smaller Companies strategy. He is also a member of the International Growth Portfolio Construction Group. He is a CFA Charterholder and graduated with an MSci and BA (Hons) in Physics from the University of Cambridge in 2006.

Managers and secretaries

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager and Company Secretaries. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting have been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited. Baillie Gifford & Co is an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages twelve investment trusts. Baillie Gifford also manages unit trusts and Open Ended Investment Companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford totalled around £205 billion at 31 March 2025. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 58 partners and a staff of around 1,700.

Baillie Gifford & Co Limited and Baillie Gifford & Co are both authorised and regulated by the Financial Conduct Authority.

Directors' report

The Directors present their report together with the audited Financial Statements of the Company for the year to 31 January 2025.

Corporate governance

The Corporate governance report is set out on pages 72 to 78 and forms part of this Report.

Managers and Company Secretaries

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretaries. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting have been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited.

The Investment Management Agreement sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Management Agreement is terminable on not less than six months' notice. Compensation fees would only be payable in respect of the notice period if termination were to occur sooner. The annual management fee is 0.75% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remainder. The fees are calculated and paid on a quarterly basis.

The Board as a whole fulfils the function of the Management Engagement Committee.

The Board reviews investment performance and monitors the arrangements for the provision of investment management and secretarial services to the Company on a continuous basis. A formal evaluation of the Managers by the Board is conducted annually. The Board's annual evaluation considers, amongst others, the following topics as recommended by the AIC Guide 'Evaluation of the Manager':

- Quality of Team;
- Investment Management;
- Commitment of Manager;
- Managing the Company;
- Promotion;
- Shareholders; and
- Management Agreement.

Following the most recent evaluation and comprehensive review of strategy in November 2024, the Board is in agreement that the continuing appointment of Baillie Gifford & Co Limited as AIFM and the delegation of investment management services to Baillie Gifford & Co on the terms agreed, is in the interest of shareholders as a whole. This is due to: the strength and experience of the investment management team; the Managers' commitment to the investment trust sector as a whole and to the Japanese markets in particular; and the potential for good long-term investment performance in relation to the amended investment policy and strategy. The Board also recognises the high quality of the Managers' secretarial, administrative and corporate governance functions.

The Board considers that maintaining a low ongoing charges ratio is in the best interest of shareholders. The Board continues to give careful consideration to the basis of the management fee.

Depositary

In accordance with the AIFM Regulations, the AIFM must appoint a depositary to the Company. The Bank of New York Mellon (International) Limited has been appointed as the Company's depositary.

The depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The custody function is also undertaken by The Bank of New York Mellon (International) Limited ('the custodian').

Directors

Information about the Directors, including their relevant experience and contribution to the Board, can be found on pages 61 to 64.

In accordance with the principles of the UK Corporate Governance Code, all Directors will retire at the Annual General Meeting and offer themselves for re-election.

Following formal performance evaluation the Board considers that the performance of the Directors continues to be effective and each remains committed to the Company. Their contribution to the Board is greatly valued and the Board recommends their re-election to shareholders.

Director indemnification and insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of the Directors. The deeds cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him or her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person. The indemnities were in force during the year to 31 January 2025 and up to the date of approval of this report.

The Company maintains Directors' and Officers' Liability Insurance.

Conflicts of interest

Each Director submits a list of potential conflicts of interest and time commitments to the Nomination Committee on an ongoing basis. The Committee considers these carefully, taking into account the circumstances surrounding them and makes a recommendation to the Board on whether or not the potential conflicts should be authorised. Board authorisation is for a period of one year. Having considered the lists of potential conflicts and time commitments there were no situations which gave rise to a direct or indirect interest of a Director which conflicted with the interests of the Company.

Dividend

Shin Nippon invests with the aim of maximising capital growth rather than income. Retained earnings are reinvested in the portfolio. The Board recommends a final dividend of 0.60p per ordinary share. If approved, the recommended final dividend will be paid on 29 May 2025 to shareholders on the register at the close of business on 22 April 2025. The ex-dividend date is 17 April 2025.

The Company's dividend payment policy in respect of ordinary shares is to pay a single final dividend that will be broadly the minimum distribution to maintain investment trust status.

Share capital

Capital structure

The Company's capital structure (excluding treasury shares) consists of 279,491,301 ordinary shares of 2 pence each at 31 January 2025 (2024 – 309,757,485 ordinary shares of 2 pence each). At 31 January 2025, 34,761,184 shares were held in treasury (2024 – 4,495,000). There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares. Treasury shares do not receive distributions and are not entitled to exercise the voting rights attached to them.

Capital entitlement

On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings.

Voting

Each ordinary shareholder present in person or by proxy is entitled to one vote on a show of hands and, on a poll, to one vote for every share held.

Information on the deadlines for proxy appointments can be found on page 120.

Major interests in the Company's shares

The Company has not received any notification of major interests of 3.0% or more (for directly held interests) in the voting rights of the Company as at 31 January 2025. The Company has received notification of the following interests of 5.0% or more (for indirectly held interests) in the voting rights of the Company as at 31 January 2025.

Name	No. of ordinary 2p shares held at 31 January 2025	% of issue
1607 Capital Partners LLC	33,262,539	11.9
City of London Investment Management Company Limited	28,249,166	10.1

Subsequent to the year end on 26 March 2025 the Company received notification that 1607 Capital Partners LLC held 32,192,108 shares being 11.8% of the shares in issue.

There have been no further notifications of major interests in the Company's shares intimated up to 31 March 2025.

Analysis of shareholders at 31 January

	2025 Number of shares held	2025 %	2024 Number of shares held	2024 %
Institutions	100,406,183	35.9	94,021,627	30.4
Intermediaries	172,838,053	61.8	208,787,058	67.4
Individuals*	2,724,936	1.0	3,869,472	1.2
Marketmakers	3,522,129	1.3	3,079,328	1.0
	279,491,301	100.0	309,757,485	100.0

* Includes all holdings under 5,000 shares.

Annual General Meeting

Share issuance authority

At the last Annual General Meeting, the Directors were granted authority to issue shares up to an aggregate nominal amount of £2,042,345.65 and to issue shares or sell shares held in treasury for cash on a non pre-emptive basis for cash up to an aggregate nominal amount of £612,764.97 representing 10% of the issued share capital of the Company as at 20 March 2024. Such authorities will expire at the conclusion of the Annual General Meeting to be held on 20 May 2025.

Resolution 11 in the Notice of Annual General Meeting seeks a general authority for the Directors to issue ordinary shares up to an aggregate nominal amount of £1,802,428.40. This amount represents 33.33% of the nominal value of the issued share capital excluding treasury shares at 31 March 2025 and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 11 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 12, which is proposed as a special resolution, seeks authority for the Directors to issue shares or sell shares held in treasury on a non pre-emptive basis for cash (i.e. without first offering such shares to existing shareholders pro-rata to their existing holdings) up to an aggregate nominal amount of £540,782.60 (representing 10% of the issued ordinary share capital of the Company excluding treasury shares as at 31 March 2025). The authorities sought in Resolutions 11 and 12 will continue until the conclusion of the Annual General Meeting to be held in 2026 or on the expiry of 15 months from the passing of the resolutions, if earlier.

Such authorities will only be used to issue shares or sell shares from treasury at a premium to net asset value and only when the Directors believe that it would be in the best interests of the Company to do so. The Directors believe that the ability to buy-back shares at a discount and re-sell them or issue new shares at a premium are useful tools in smoothing supply and demand. During the year to 31 January 2025 the Company issued no shares. Between 1 February and 31 March 2025 the Company issued no further shares.

43,861,184 shares were held in treasury as at 31 March 2025.

Market purchases of own shares by the Company

At the last Annual General Meeting, the Company was granted authority to purchase up to 44,861,933 ordinary shares (equivalent to 14.99% of its issued share capital). This authority expires at the forthcoming Annual General Meeting. The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases of ordinary shares up to an amount representing approximately 14.99% of the Company's ordinary shares in issue at the date of

passing of the Resolution, such authority to expire at the Annual General Meeting of the Company to be held in 2026.

30,266,184 shares were bought back during the year under review. Between 1 February and 31 March 2025 the Company bought back 9,100,000 shares.

The principal reasons for share buy backs are:

- i. to enhance net asset value for continuing shareholders by purchasing shares at a discount to the prevailing net asset value; and
- ii. to address any imbalance between the supply of and demand for the Company's shares that results in a discount of the quoted market price to the published net asset value per share.

The Company may hold bought back shares 'in treasury' and then:

- a. sell such shares (or any of them) for cash (or its equivalent under the Companies Act 2006); or
- b. cancel such shares (or any of them).

All buy backs will initially be held in treasury. Shares will only be sold from treasury at a premium to the net asset value per ordinary share.

The Company shall not be entitled to exercise the voting rights attaching to treasury shares or be entitled to any dividend distributions.

In accordance with the Listing Rules of the UK Listing Authority, the maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed the higher of:

- i. 5% above the average closing price on the London Stock Exchange of an ordinary share over the 5 business days immediately preceding the date of purchase; and
- ii. the higher of the last independent trade and the highest current independent bid on the London Stock Exchange.

The minimum price (exclusive of expenses) that may be paid will be the nominal value of an ordinary share. Purchases of shares will be made within guidelines established, from time to time, by the Board. The Company does not have any warrants or options in issue. Your attention is drawn to Resolution 13 in the Notice of Annual General Meeting.

This authority, if conferred, will only be exercised if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders and if it is considered in the best interests of shareholders generally.

Capital reduction

Resolution 14 is a special resolution to cancel the entire amount standing to the credit of the Company's share premium account ('Share Premium Account'). The cancellation of the Share Premium Account is proposed to be completed by means of a court-approved capital reduction as described below (the 'Capital Reduction') subject to the passing of Resolution 14.

Background to the Capital Reduction

The Company has built up a substantial share premium account owing to the high level of historic issuance of the shares. This account is non-distributable. The Company may cancel the share premium account with such amount credited to a reserve of the Company following: (a) approval from the shareholders of the Company by special resolution; (b) the confirmation of the Court of Session of Scotland (the 'Court'); (c) the registration of the Court's order approving the Capital Reduction (the 'Court Order') and (d) the Capital Reduction not otherwise being unlawful.

The Board believes that the Capital Reduction will provide a significant pool of reserves which can be used in future, if required to fund share buybacks, dividends or any other returns of capital to shareholders in accordance with applicable law.

Procedure for completing the Capital Reduction

Shareholder approval

Section 641 of the Companies Act 2006 provides that any reduction of the share premium account must be approved by the Company's shareholders by a special resolution.

Court approval

In addition to the approval of the shareholders, the Capital Reduction requires the approval of the Court. Accordingly, following approval of the Capital Reduction by shareholders at the AGM, an application will be made to the Court in order to confirm and approve the Capital Reduction.

Creditor protection

In providing its approval, the Court may require protection for the creditors of the Company (if any) whose debts remain outstanding on the relevant date, except in the case of creditors (including contingent creditors) that have consented to the Capital Reduction. Any such creditor protection may include seeking the consent of the Company's creditors to the Capital Reduction or the provision by the Company to the Court of an undertaking to deposit a sum of money into a blocked account created for the purpose of discharging, in due course, any amounts owing to the non-consenting creditors of the Company.

Court hearing

The Company intends that an application will be made to the Court to approve the Capital Reduction as soon as is reasonably practicable after the AGM, provided that Resolution 14 is approved by shareholders.

Provided that the Capital Reduction is approved by shareholders and the Court, and subject to any direction given by the Court in confirming the Capital Reduction and/or the terms of any undertaking given by the Company in relation to the reserve which arise, the amounts standing to the credit of the Share Premium Account will be cancelled and credited to a new distributable reserve of the Company. The distributable reserves so created would then be available to be applied, in accordance with Part 23 of the Companies Act 2006, towards the future payment of distributions to shareholders such as dividends and share buybacks.

Right to abandon

If the special resolutions to approve the Capital Reduction are not passed by the requisite majority of shareholders at the AGM or Court approval is not obtained, the Capital Reduction will not proceed.

The Board reserves the right to abandon or to discontinue (in whole or in part) the application to the Court in the event that the Board considered the terms on which the Capital Reduction would be (or would likely to be) confirmed by the Court, would not be in the best interests of the Company and/or the shareholders as a whole. The Board has undertaken a thorough review of the Company's liabilities (including contingent liabilities) and considers that the Company will be able to satisfy the Court that,

as at the date on which the Court Order relating to the Capital Reduction and the statement of capital in respect of the Capital Reduction are registered by the Registrar of Companies at Companies House and the Capital Reduction therefore becomes effective, the Company's creditors will either have consented to the Capital Reduction or be sufficiently protected.

Financial instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 18 to the Financial Statements.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

Disclosure of information to Auditor

The Directors confirm that so far as each of the Directors is aware there is no relevant audit information of which the Company's Auditor is unaware and the Directors have taken all the steps that they might reasonably be expected to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Independent Auditor

Johnston Carmichael LLP is willing to continue in office and in accordance with section 489 and section 491(1) of the Companies Act 2006, resolutions concerning its reappointment and remuneration will be submitted to the Annual General Meeting.

Post balance sheet events

The Directors confirm that there have been no significant post balance sheet events which require adjustment of, or disclosure in, the Financial Statements or notes thereto up to 31 March 2025.

Greenhouse gas emissions and Streamlined Energy and Carbon Report ('SECR')

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. For the reasons set out above, the Company considers itself to be a low energy user and therefore is not required to disclose energy and carbon information under the SECR regulations.

Bribery Act

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Managers also adopt a zero tolerance approach and have policies and procedures in place to prevent bribery.

Criminal Finances Act 2017

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

Recommendation

The Directors consider each resolution being proposed at the Annual General Meeting to be in the best interests of the Company and its shareholders as a whole and they unanimously recommend that all shareholders vote in favour of them, as they intend to do where possible in respect of their own beneficial holdings of shares which amount in aggregate to 153,189 shares, representing approximately 0.05% of the issued share capital of the Company at 31 January 2025.

On behalf of the Board
 Jamie Skinner
 Chair
 2 April 2025

Corporate governance report

The Board is committed to achieving and demonstrating high standards of corporate governance. This statement outlines how the principles of the 2018 UK Corporate Governance Code, (the 'Code') which can be found at [frc.org.uk](https://www.frc.org.uk), and the principles of the Association of Investment Companies ('AIC') Code of Corporate Governance issued in 2019 were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at theaic.co.uk.

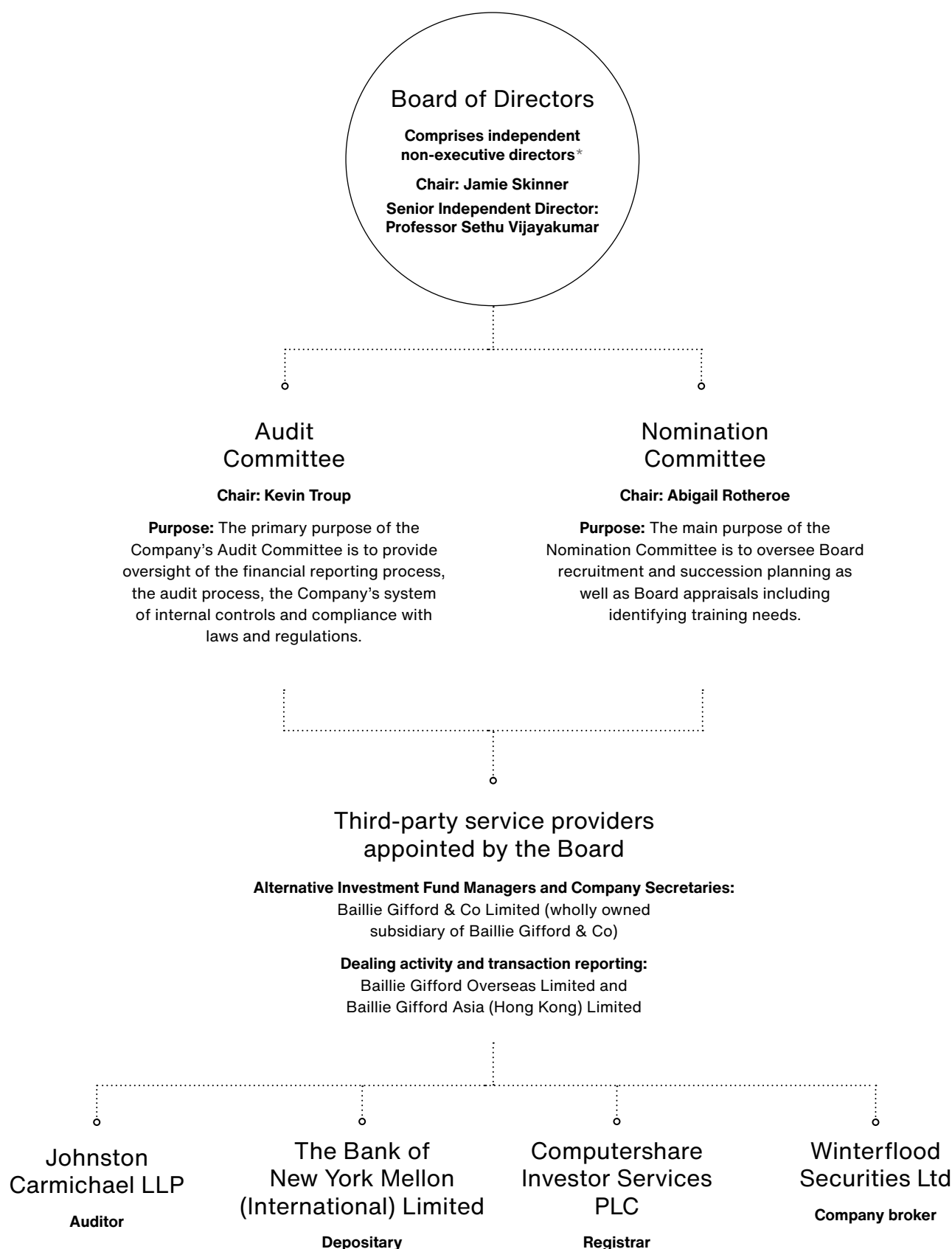
Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code. The Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. Given that the Company is an externally-managed investment trust, the Board considers these provisions are not relevant to the Company (the need for an internal audit function specific to the Company has been addressed on page 80).

The FRC has confirmed that AIC member companies who report against the AIC Code will be meeting their obligations in relation to the UK Code (the AIC Code can be found at theaic.co.uk).

The Board

The Board comprises five Directors, all of whom are non-executive. The Board appoints the Managers and Secretaries and approves the terms of the investment management agreement. It has a number of matters reserved for its approval including strategy, investment policy, currency hedging, gearing, share buy back and issuance policy, treasury matters, dividend and corporate governance policy. A separate meeting devoted to strategy is held each year. The Board also reviews the financial statements, investment transactions, revenue budgets and investment performance.



* The independent non-executive directors are made up of Claire Finn, Abigail Rotheroe, Jamie Skinner, Kevin Troup and Professor Sethu Vijayakumar. Further details on their experience and contribution to the Board can be found on pages 61 to 64.

Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities. The Chair, Mr J Skinner, is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. Mr KJ Troup replaced Mr J Skinner as the Audit Committee Chair. The executive responsibility for investment management has been delegated to the Company's Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited, and in the context of a Board comprising entirely non-executive directors there is no chief executive officer. Professor S Vijayakumar is the Senior Independent Director.

The Directors believe that the Board has a balance of skills and experience that enable it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on pages 61 to 64.

The Directors recognise the importance of Board succession planning. The composition of the Board and the succession plan are reviewed annually to ensure there is an appropriate balance of skills, experience, length of service and diversity.

There is an agreed procedure for Directors to seek independent professional advice if necessary at the Company's expense.

Appointments

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for inspection on request.

Under the provisions of the Company's Articles of Association, a Director appointed during the year is required to seek election by shareholders at the next Annual General Meeting.

Independence of Directors

In accordance with the principles of the UK Corporate Governance Code, all Directors will offer themselves for re-election annually.

All the Directors are considered by the Board to be independent of the Company and the Managers and free of any business or other relationship that could interfere with the exercise of their independent judgement.

The Board is not controlled by long serving Directors.

Policy on tenure of the Chair

The Board recognises the importance of an independent and effective chair. In the absence of exceptional circumstances, the Chair will retire at the Annual General Meeting following the ninth anniversary of their appointment in accordance with the UK Code of Corporate Governance.

Meetings

There is an annual cycle of Board meetings which is designed to address, in a systematic way, overall strategy, review of investment policy, investment performance, marketing, revenue budgets, dividend policy and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively.

Directors' attendance at meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	4	4	1
J Skinner*	4	–	1
CEC Finn	4	4	1
AE Rotheroe	4	4	1
KJ Troup	4	4	1
S Vijayakumar†	3	3	1

* J Skinner is not a member of the Audit Committee but was in attendance.

† Mr Vijayakumar was unable to attend an Audit Committee and Board meeting held on the same day due to flight delays.

The table above shows the attendance record for the core Board and Committee meetings held during the year. The Annual General Meeting was attended by all the Directors serving at that date other than Professor Vijayakumar.

Nomination Committee

The Nomination Committee consists of the whole Board due to the small size of the Board. Ms AE Rotheroe is the Chair. The Committee meets at least annually and at such other times as may be required. The Committee has written terms of reference that include reviewing the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, succession planning and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is also responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not the potential conflicts should be authorised.

The Committee's terms of reference are available on request from the Company and on the Company's website: shinnippon.co.uk.

Board diversity

Diversity policy

Appointments to the Board are made on merit and based on objective criteria, including the promotion of diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths. The priority in succession planning and appointing new Directors is to identify candidates with the best range of skills and experience to complement those of the existing Directors, with a view to ensuring that the Board remains well placed to help the Company achieve its investment and governance objectives.

The following disclosures are provided in respect of the FCA Listing Rules targets that: i) 40% of a board should be women; ii) at least one senior role should be held by a woman; and iii) at least one board member should be from a non-white ethnic background, as defined by the Office of National Statistics ('ONS') criteria. As an externally managed investment company with no chief executive officer (CEO) or chief financial officer (CFO), the roles which qualify as senior under FCA guidance are Chair and Senior Independent Director (SID). The Board also considers Audit Committee Chair and Nomination Committee Chair to represent senior roles within this context.

At 31 January 2025, which shall be used as the reference date for the disclosures in accordance with the Listing Rules 9.8.6R(9), the Board met the target on percentage of women and on ethnic background but not the target of a woman in a senior role as classified by the FCA. The Board does consider the chair of the Nomination Committee to be a senior role and this position was held by a woman, Ms A Rotheroe. The Board considers that its small size is the principal reason why the other Listing Rule targets were not met. The Board supports, and is ambitious to meet, all the Listing Rule diversity targets and will continue to review its size and composition both as part of its refreshment cycle and more widely. There have been no changes to Board membership between 31 January 2025 and 31 March 2025.

	Number of Board members	Percentage of the Board	Senior roles
Men	3	60%	2*
Women	2	40%	0†
Prefer not to say	–	–	–

* The Board also considers Audit Committee Chair to be a senior role. The role of Audit Committee Chair is currently held by a man.

† The Board also considers Nomination Committee Chair to be a senior role. The role of Nomination Committee Chair is currently held by a woman.

	Number of Board members	Percentage of the Board	Senior roles
White British or Other White (including minority white groups)	4	80%	1*
Asian/Asian British	1	20%	1
Prefer not to say	–	–	–

* The Board also considers Audit Committee Chair and Nomination Committee Chair to be senior roles. The ethnic background of the Audit Committee Chair is white. The ethnic background of the Nomination Committee Chair is white.

Board composition

The Committee reviewed the composition of the Board during the year in consideration of succession planning and developing a diverse pipeline.

Performance evaluation

During the year, the Board appointed Boardforms, a firm which assists companies with the design and execution of board evaluations, to facilitate the performance evaluation of the Chair and each Director, the Board as a whole and its Committees, undertaken in accordance with best practice to have Board evaluations externally facilitated every three years. Boardforms is an independent company with no relationships with the Company or its Directors. Boardforms provided questionnaires which were tailored to the specific needs of the Company. The questionnaires addressed, amongst other issues:

- Strategy and performance;
- Risk management and oversight,
- Board dynamics and communication;
- Resources and training; and
- Board composition including diversity;

Following this process it was concluded that there was a diverse range of skills within the Board and that the performance of each Director, the Chair, the Board and its Committees continues to be effective and each Director remains committed to the Company.

A review of the Chair's and other Directors' commitments was carried out on 19 November 2024 and the Nomination Committee is satisfied that they are capable of devoting sufficient time to the Company.

Induction and training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. Regular briefings are provided on changes in regulatory requirements that could affect the Company and Directors. Directors receive other relevant training as necessary.

Remuneration

As all the Directors are non-executive, there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration report on pages 82 to 85.

Management Engagement Committee

The Directors have considered that a separate Management Engagement Committee is not required given the small size of the Board.

Audit Committee

The report of the Audit Committee is set out on pages 79 to 81.

Internal controls and risk management

The Directors acknowledge their responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the FRC guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The practical measures in relation to the design, implementation and maintenance of control policies and procedures to safeguard the Company's assets and to manage its affairs properly, including

the maintenance of effective operational and compliance controls have been delegated to the Managers and Secretaries.

The Board oversees the functions delegated to the Managers and Secretaries and the controls managed by the AIFM in accordance with the UK Alternative Investment Fund Managers Regulations (as detailed below). Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provide the Audit Committee with regular reports on their monitoring programmes. The reporting procedures for these departments are defined and formalised within a service level agreement. Baillie Gifford & Co conducts an annual review of its system of internal controls which is documented within an internal controls report which complies with ISAE 3402 – Assurance Reports on Internal Controls of Service Organizations made available to Third Parties. This report is independently reviewed by Baillie Gifford & Co's Auditor and a copy is submitted to the Audit Committee.

A report identifying the material risks faced by the Company and the key controls employed to manage these risks is reviewed by the Audit Committee.

These procedures ensure that consideration is given regularly to the nature and extent of risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage these risks.

The Directors confirm that they have reviewed the effectiveness of the Company's risk management and internal controls systems, which accord with the FRC 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review and up to the date of this Report.

The Board confirms that these procedures have been in place throughout the Company's financial year and continue to be in place up to the date of approval of this Report.

To comply with the UK Alternative Investment Fund Managers Regulations, The Bank of New York Mellon (International) Limited acted as the Company's Depositary and Baillie Gifford & Co Limited as its AIFM.

The depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The depositary is liable for the loss of financial instruments held in custody. The depositary will ensure that any delegate segregates the assets of the Company. The Company's depositary also acts as the Company's custodian. The custodian prepares reports on its key controls and safeguards which are independently reviewed by their Auditor. The reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated.

The depositary provides the Audit Committee with half-yearly reports on its monitoring activities.

The AIFM has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor compliance with risk limits. The AIFM has a risk management policy which covers the risks associated with the management of the portfolio, and the adequacy and effectiveness of this policy is reviewed and approved at least annually. This review includes the risk management processes and systems and limits for each risk area.

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits, including leverage (see page 124), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with remedial measures being taken.

Going concern

In accordance with the Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Company's principal and emerging risks include market risk, liquidity risk and credit risk.

An explanation of these risks and how they are managed is contained in note 18 to the Financial Statements. The Board has, in particular, considered the impact of heightened market volatility, owing to macroeconomic and geopolitical concerns. The Board has reviewed the results of specific leverage and liquidity stress testing, but does not believe the Company's going concern status is affected. Stress tests are applied to the portfolio to identify the commitment leverage of the Company in two scenarios: (i) gross assets reduce by 25%; and (ii) gross assets reduce by 50%. Stress tests are also performed to determine the impact on revenue earnings per share as a result of an increase and decrease in projected portfolio income of 25%.

The Company's assets, which are primarily investments in quoted securities and are readily realisable (Level 1) exceed its liabilities significantly and could be sold to repay borrowings if required. All borrowings require the prior approval of the Board. Gearing levels and compliance with loan covenants are reviewed by the Board on a regular basis. As at 31 January 2025, the Company had a net current liability of £63.5 million primarily as a result of the revolving credit facilities which are repayable on a three monthly basis although the facilities themselves did not mature until 2026 and 2027. Following the refinancing of the remaining ING loans with Bank of America on 28 February 2025, the Company's loan facilities do not mature until November 2027 as disclosed in note 11 on page 107. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011.

Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters set out in the Viability Statement on page 56, that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

Relations with shareholders

The Board places great importance on communication with shareholders. The Company's Investment Manager meets regularly with shareholders and their representatives and reports to the Board. The Company broker and the Managers' sales team

also have regular contact with current and potential shareholders. The Chair and Directors are available to meet with shareholders as appropriate and did so in the year ended 31 January 2025. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the Company's registered office, emailing the Managers at trustenquiries@bailliegifford.com or through the Company's broker, Winterflood Securities Ltd (see contact details in Company information on page 133).

The Company's Annual General Meeting provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the meeting and is published at shinnippon.co.uk subsequent to the meeting. The notice period for the Annual General Meeting is at least twenty working days.

Shareholders and potential investors may obtain up-to-date information on the Company at shinnippon.co.uk.

Corporate governance and stewardship

The Company has given discretionary voting powers to Baillie Gifford & Co. The Managers vote against resolutions they consider may damage shareholders' rights or economic interests and report their actions to the Board.

The Company believes that it is in the shareholders' interests to consider environmental, social and governance ('ESG') factors when selecting and retaining investments and have asked the Managers to take these issues into account. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors could impact long term investment returns. The Managers' stewardship principles and examples of portfolio company engagement are set out on pages 18 to 23 and the statement of compliance with the UK Stewardship Code can be found on the Managers' website at bailliegifford.com. The Managers' policy has been reviewed and endorsed by the Board. Baillie Gifford & Co has considered the Sustainable Finance Disclosure Regulation ('SFDR') and further details can be found on page 128.

Climate change

The Board recognises that climate change poses a serious threat to our environment, our society and to economies and companies around the globe. Addressing the underlying causes is likely to result in companies that are high emitters of carbon facing greater societal and regulatory scrutiny and higher costs to account for the true environmental impact of their activities. The Managers' pursuit of long term growth opportunities typically involves investment in entrepreneurial, disruptive and technology-driven businesses. These companies are often capital-light with a low carbon footprint. The Managers' report provides some examples of new investments that address ESG themes, including climate change.

The Manager has engaged an external provider to map the carbon footprint of the portfolio, using the information to prioritise engagement and understand what higher emitting companies are doing to manage climate risk better. This analysis estimates that the carbon intensity of the Shin Nippon portfolio is 80% lower than the comparative index (MSCI Japan Small Cap Index). Carbon intensity measures the carbon efficiency of the portfolio per unit of output and assesses the portfolio's exposure to carbon-intensive companies.

Baillie Gifford's Task Force on Climate-Related Financial Disclosures ('TCFD') Climate Report is available on the Managers' website at bailliegifford.com. A Shin Nippon-specific TCFD climate report is also available on the Company's page of the Managers' website at shinnippon.co.uk.

The Managers are signatories to the United Nations Principles for Responsible Investment, the Net Zero Asset Managers initiative and the Carbon Disclosure Project and are also members of the Asian Corporate Governance Association and International Corporate Governance Network.

On behalf of the Board
 Jamie Skinner
 Chair
 2 April 2025

Audit Committee report

The Audit Committee consists of all Directors with the exception of the Chair, Mr Skinner who attends by invitation. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Mr K Troup, Chair of the Committee, is a Chartered Accountant.

The Committee's authority and duties are clearly defined within its written terms of reference which are available on request from the Company Secretaries and at shinnippon.co.uk. The terms of reference are reviewed annually.

The Committee's effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process. Mr Troup and Ms Rotheroe have recent and relevant financial experience.

At least once a year the Committee meets with the external Auditor without any representative of the Managers being present.

Main activities of the Committee

The Committee met four times during the year, with two of the meetings focussed on the review of the Company's private company valuations. Johnston Carmichael LLP attended three of the meetings. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes for the two meetings focussed on governance matters and the approval of the financial statements.

The matters considered, monitored and reviewed by the Committee during the course of the year included the following:

- the results announcement and the Annual and Interim Reports;
- the Company's accounting policies and practices and the implementation of the Managers' valuation policy for investments in private (unlisted) companies;
- the regulatory changes impacting the Company;
- the fairness, balance and understandability of the Annual Report and Financial Statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;

- the effectiveness of the Company's internal control and risk management systems;
- re-appointment, remuneration and engagement letter of the external Auditor;
- whether the audit services contract should be put out to tender;
- the policy on the engagement of the external Auditor to supply non-audit services;
- the independence and objectivity of the external Auditor and the effectiveness of the external audit process;
- the need for the Company to have its own internal audit function;
- internal controls reports received from the Managers and Custodian;
- written assurance from the Company's key third party service providers regarding whether they have been aware of any fraud or had any suspicions of fraud over the Company's financial year; and
- the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Internal audit

The Committee continues to believe that the compliance and internal controls systems and the internal audit function in place within the Managers provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company is therefore considered unnecessary.

Financial reporting

The Committee considers that the most significant issues likely to affect the Financial Statements are the existence and valuation of quoted investments, as they represent 93.8% of total assets.

Quoted investments

The majority of the investments are in quoted securities and market prices are readily available from independent external pricing sources. The Committee reviewed Baillie Gifford's Report on Internal Controls which details the controls in place regarding the recording and pricing of investments.

The Managers agreed the prices of all the quoted investments at 31 January 2025 to external price sources and the holdings were agreed to confirmations from the Company's Custodian.

Private company (unlisted) investments

The Committee reviewed the Managers' valuation approach for investments in private (unlisted) companies (as described on page 40) and approved the valuations of the private company (unlisted) investments following a detailed review of the valuation of each investment and relevant challenge where appropriate. The Managers agreed the holdings in certificated form to confirmations from the Company's custodian and holdings of uncertificated private company (unlisted) investments were agreed to confirmations from the relevant investee companies.

The Managers confirmed to the Committee that they were not aware of any material misstatements in the context of the Financial Statements as a whole and that the Financial Statements are in accordance with applicable law and accounting standards.

Internal controls and risk management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 76 and 77. No significant weaknesses were identified in the year under review.

External Auditor

To fulfil its responsibility regarding the independence of the external Auditor, the Committee reviewed:

- the audit plan for the current year;
- a report from the Auditor describing their arrangements to manage Auditor independence and received confirmation of their independence; and
- the proposed audit fee and extent of non-audit services provided by the external Auditor. For the year to 31 January 2025 the proposed audit fee was £41,500 and there were no non-audit fees for the year to 31 January 2025 (2024 – nil).

To assess the effectiveness of the external Auditor, the Committee reviewed and considered:

- the Auditor's fulfilment of the agreed audit plan; and
- feedback from the Secretaries on the performance of the audit team.

To fulfil its responsibility for oversight of the external audit process the Committee considered and reviewed:

- the Auditor's engagement letter;
- the Auditor's proposed audit plan;
- the audit fee; and
- a report from the Auditor on the conclusion of the audit.

The audit partner responsible for the audit will be rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. Mr Sutherland, the current audit partner has held this role since May 2023 and will continue as audit partner until the conclusion of the 2028 audit.

Johnston Carmichael LLP have confirmed that they believe they are independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired.

Having carried out the review described above, the Committee is satisfied that the Auditor remains independent and effective for the purposes of this year's audit.

There are no contractual obligations restricting the Committee's choice of external Auditor.

Audit tender

Following the audit tender process conducted during the year to 31 January 2023, the Board unanimously decided to appoint Johnston Carmichael LLP as Auditor with effect from the audit of the Financial Statements for the year to 31 January 2024.

In recognition of underlying audit rotation requirements, the Committee intends to undertake a further tender process during the year to 31 January 2033.

Accountability and audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 86 to 95.

On behalf of the Board
Kevin Troup
Audit Committee Chair
2 April 2025

Directors' remuneration report

This report has been prepared in accordance with the requirements of the Companies Act 2006.

Statement by the Chair

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy which is set out below was approved at the Annual General Meeting in May 2023. No changes are proposed to the policy and an ordinary resolution for the approval of the Remuneration Policy will be put to the members at the Annual General Meeting in May 2026.

The Board reviewed the level of fees during the year and it was agreed that from 1 February 2025 the Directors' fees would increase to £30,000 from £29,000 and the additional fee for the Chair of the Audit Committee would remain unchanged at £5,000. The fee for the Chair would be increased to £43,000 from £42,000, and the additional fee for the Chair of the Nomination Committee would remain at £1,000. The Directors' fees were last increased on 1 February 2024.

Directors' remuneration policy

The Board is composed wholly of non-executive Directors, none of whom has a service contract with the Company. There is no separate remuneration committee and the Board as a whole considers changes to Directors' fees from time to time. Baillie Gifford & Co Limited, the Company Secretaries, provide comparative information when the Board considers the level of Directors' fees.

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. The Board believes that the fees paid to the Directors should reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by comparable investment trusts. Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Board's policy on remuneration.

Non-executive Directors are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses. There are no performance conditions relating to Directors' fees and there are no long term incentive schemes or pension schemes. No compensation is payable on loss of office.

Limit on Directors' remuneration

The fees for the non-executive Directors are payable monthly in arrears and are determined within the limit set out in the Company's Articles of Association which is currently £250,000 in aggregate. Any change to this limit requires shareholder approval.

The basic and additional fees payable to Directors in respect of the year ended 31 January 2025 and the expected fees payable in respect of the year ending 31 January 2026 are set out in the following table.

The fees payable to the Directors in the subsequent financial periods will be determined following an annual review of the Directors' fees.

	Expected fees for the year ending 31 Jan 2026 £	Fees as at 31 Jan 2025 £
Chair's fee	43,000	42,000
Non-executive Director fee	30,000	29,000
Additional fee for Chair of the Audit Committee	5,000	5,000
Additional fee for Chair of the Nomination Committee	1,000	1,000
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association (see 'Limit on Directors' Remuneration' above)	250,000	250,000

Annual report on remuneration

An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in Johnston Carmichael LLP's report on page 89.

Directors' remuneration for the year (audited)

The Directors who served during the year received the following remuneration in the form of fees and taxable benefits. This represents the entire remuneration paid to the Directors.

Name	2025 Fees £	2025 Taxable benefits * £	2025 Total £	2024 Fees £	2024 Taxable benefits * £	2024 Total £
CEC Finn	29,000	1,714	30,714	28,000	3,078	31,078
AE Rotheroe	30,000	2,047	32,047	29,000	2,893	31,893
J Skinner (Chair)	42,000	1,903	43,903	39,090	840	39,930
KJ Troup	34,000	927	34,927	30,836	659	31,495
MN Donaldson (retired 17 May 2023)	–	–	–	12,600	533	13,133
S Vijayakumar	29,000	435	29,435	28,000	504	28,504
	164,000	7,026	171,026	167,526	8,507	176,033

* Comprises travel and subsistence expenses incurred by Directors in the course of travel to attend Board and Committee meetings held at the Company's registered office in Edinburgh. These amounts have been grossed up for income tax.

Annual percentage change in remuneration

This represents the annual percentage change in the total remuneration paid to the Directors.

Name	% change from 2024 to 2025	% change from 2023 to 2024	% change from 2022 to 2023	% change from 2021 to 2022	% change from 2020 to 2021
CEC Finn (appointed 1 November 2021)	(1.2)	4.7	374.9 *	n/a *	–
AE Rotheroe (appointed 1 March 2022)	0.5	19.8 *	n/a *	–	–
J Skinner (Chair)	9.9	24.8 *	12.3	(0.1)	14.5
KJ Troup	10.9	12.5 *	12.0	9.1	n/a
S Vijayakumar	3.3	1.8	12.0	–	8.7
MN Donaldson (retired 17 May 2023)	n/a	(68.7) *	12.0	–	8.7
MR Somerset Webb (retired 12 May 2022)	n/a	n/a	(68.1) *	–	6.1

* These percentage movements reflect the Directors' retirement/appointment or change in role in the period. Mr Donaldson retired at the conclusion of the AGM on 17 May 2023. Mr Skinner became Chair of the Board and Mr Troup became Chair of the Audit Committee at that date. Ms Rotheroe became Chair of the Nomination Committee with effect from 1 February 2023.

Directors' interests (audited)

Name	Nature of interest	Ordinary 2p shares held at 31 Jan 2025	Ordinary 2p shares held at 31 Jan 2024
CEC Finn	Beneficial	10,000	10,000
AE Rotheroe	Beneficial	20,189	20,189
J Skinner	Beneficial	50,000	17,500
KJ Troup	Beneficial	59,000	30,000
S Vijayakumar	Beneficial	14,000	14,000

The Directors are not required to hold shares in the Company. The Directors at the year end, and their interests in the Company, were as shown above. There have been no other changes in the Directors' interests up to 31 March 2025.

Statement of voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' remuneration report, 99.4% were in favour, 0.5% were against and votes withheld were 0.1%. At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (May 2023), 99.2% were in favour, 0.6% were against and votes withheld were 0.2%.

Relative importance of spend on pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration and distributions to shareholders.

	2025 £'000	2024 £'000	Change %
Directors' remuneration	171	176	(2.8)
Share buy-backs	35,219	5,750	512.5

Directors' service details

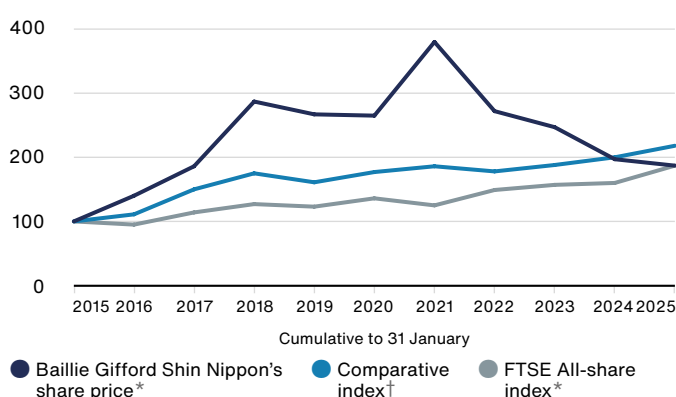
Name	Date of appointment	Due date for re-election
S Vijayakumar	1 September 2018	AGM in 2025
J Skinner	7 December 2018	AGM in 2025
KJ Troup	1 March 2020	AGM in 2025
CEC Finn	1 November 2021	AGM in 2025
AE Rotheroe	1 March 2022	AGM in 2025

Company performance

The following graph compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the Company's comparative index. This index was chosen for comparison purposes as it is the index against which the Company has measured its performance over the period covered by the graph. The share price total return is also compared to the FTSE All-Share Index. This index is a widely used measure of performance for UK listed companies.

Performance graph

(figures have been rebased to 100 at 31 January 2015)



Source: LSEG and underlying data providers. See disclaimer on page 127.

* Total return (assuming net dividends are reinvested). See Glossary of terms and Alternative Performance Measures on pages 129 to 132.

† The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms). See disclaimer on page 127.

Past performance is not a guide to future performance.

Approval

The Directors' remuneration report on pages 82 to 85 was approved by the Board of Directors and signed on its behalf on 2 April 2025.

Jamie Skinner
Chair

Statement of Directors' responsibilities

in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they are required to prepare the Financial Statements in accordance with United Kingdom accounting standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. The Directors have delegated operational responsibility to the Managers for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in respect of the Annual Financial Report

We confirm that to the best of our knowledge:

- the Financial Statements which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Strategic report/Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company and business faces; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board
 Jamie Skinner
 Chair
 2 April 2025

Notes

The following notes relate to financial statements published on a website and are not included in the printed version of the Annual Report and Financial Statements:

- The maintenance and integrity of the Baillie Gifford & Co website is the responsibility of Baillie Gifford & Co; the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial report

The Financial Statements for the year to 31 January 2025 are set out on pages 88 to 115 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Independent Auditor's report

To the members of Baillie Gifford Shin Nippon PLC

Opinion

We have audited the financial statements of Baillie Gifford Shin Nippon PLC ("the Company"), for the year ended 31 January 2025, which comprise the Income statement, the Balance sheet, the Statement of changes in equity, the Cash flow statement, and the related notes, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of Company's affairs as at 31 January 2025 and of its net return for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

We planned our audit by first obtaining an understanding of the Company and its environment, including its key activities delegated by the Board to relevant approved third-party service providers and the controls over provision of those services.

We conducted our audit using information maintained and provided by Baillie Gifford & Co Limited (the "Investment Manager", the "Company Secretary," and "Administrator"), The Bank of New York Mellon (International) Limited (the "Custodian", and the "Depositary") and Computershare Investor Services PLC (the "Registrar") to whom the Company has delegated the provision of services.

We tailored the scope of our audit to reflect our risk assessment, taking into account such factors as the types of investments within the Company, the involvement of the Administrator, the accounting processes and controls, and the industry in which the Company operates.

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in the evaluation of the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key Audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included

those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

We summarise below the key audit matters in arriving at our audit opinion above, together with how our audit addressed these matters and the results of our audit work in relation to these matters.

Key audit matter	How our audit addressed the key audit matter and our conclusions
<p>Valuation of listed investments (as per page 80 (Audit Committee report), page 100 (Principal accounting policies) and Note 9).</p> <p>At 31 January 2025 the valuation of the level 1, listed investments portfolio was £444.0m.</p> <p>As this was the largest component of the Company's Balance Sheet, and a key driver of the Company's net assets and total return, this has been designated as a key audit matter, being one of the most significant assessed risks of material misstatement due to error.</p> <p>There was a further risk that the investments held at fair value may not be actively traded and the quoted prices may not therefore be reflective of fair value.</p>	<p>We obtained and assessed controls reports provided by the Administrator to evaluate the design of the process and implementation of key controls.</p> <p>We compared market prices and exchange rates applied to all level 1, listed investments held at 31 January 2025 to an independent third-party source and recalculated the investment valuations.</p> <p>We obtained average trading volumes from an independent third-party source for all listed investments held at year end and assessed their liquidity.</p> <p>We assessed historic trading volumes and challenged management's assessment for evidence for an active market.</p> <p>From our completion of these procedures, we identified no material misstatements in relation to the valuation of listed investments.</p>
<p>Valuation and ownership of unlisted investments (as per page 80 (Audit Committee report), page 100 and 101 (Principal accounting policies) and Note 9).</p> <p>At 31 January 2025 the valuation of the level 3, unlisted investments was £9.2m.</p> <p>The Company determined the fair value of unlisted investments in accordance with the revised International Private Equity and Venture Capital (IPEV) valuation guidelines. Management was required to estimate the valuation of unlisted investments, which required them to select an appropriate valuation method and appropriate inputs. There was significant estimation required, therefore this has been designated as a key audit matter, being one of the most significant assessed risks of material misstatements due to fraud or error.</p> <p>Additionally, there was a risk that the Company did not have proper legal title to the investments recorded as held at year end.</p>	<p>We performed a walkthrough of the unlisted investment valuation and ownership process to evaluate the design of the process and implementation of key controls.</p> <p>We obtained evidence of Valuation Committee and Board oversight and approval of the unlisted investment valuations.</p> <p>We evaluated the competence, capabilities and objectivity of S&P Global in their role as the Managers' expert.</p> <p>We have tested 100% of the unlisted investments and as part of our procedures have assessed the Directors' estimate of the fair value of the unlisted investments with reference to IPEV guidelines.</p> <p>For the investments, we have:</p> <ul style="list-style-type: none"> • Obtained an understanding of the sector for each investee company for the period being audited, making enquiries of the Managers. • Gained an understanding of the original investment rationale and valuation basis, along with any milestones set. • Obtained an update on the investment, paying particular attention to progress against pre-set milestones and/or indications that a reduction in valuation may be appropriate. • Assessed the appropriateness of the valuation basis used, paying particular attention to any changes from the prior year valuation basis. • Agreed data used in the valuation models to independent sources. • Reperformed the enterprise value calculations and waterfalls to ensure mathematical accuracy. • Where appropriate, developed an auditor's point estimate or range. <p>We agreed 100% of unlisted investments held at year end via direct email confirmation from the investee companies.</p> <p>We assessed whether the accounting for the investments and the disclosures in relation to valuation estimates within the financial statements were in accordance with accounting policies, the AIC SORP and FRS102 requirements.</p> <p>From our completion of these procedures, we identified no material misstatements in relation to the valuation and ownership of the unlisted investments.</p>

Key audit matter	How our audit addressed the key audit matter and our conclusions
<p>Revenue recognition, including allocation of special dividends as revenue or capital returns (as per page 101 (Principal accounting policies) and Note 2.</p> <p>Investment income recognised to 31 January 2025 was £7.4m, consisting primarily of dividend income from listed investments.</p> <p>Revenue-based performance metrics are often one of the key performance indicators for stakeholders. The investment income received by the Company during the year directly impacts these metrics and the minimum dividend required to be paid by the Company.</p> <p>There was a risk that revenue is incomplete, did not occur or is inaccurate through failure to recognise income entitlements or failure to appropriately account for their treatment.</p> <p>Additionally, judgement is required in determining the allocation of special dividends as revenue or capital returns in the Income statement and the process for allocation is manual. It has therefore been designated a key audit matter, being one of the most significant assessed risks of material misstatement due to fraud or error.</p>	<p>We obtained and assessed controls reports provided by the Administrator to evaluate the design of the process and implementation of key controls.</p> <p>We confirmed that income was recognised and disclosed in accordance with the financial reporting framework, including the AIC SORP and the Company's accounting policies.</p> <p>We recalculated 100% of dividends due to the Company from listed investments based on investment holdings throughout the year and announcements made by investee companies.</p> <p>We tested the completeness, occurrence, and accuracy of revenue from other sources by agreeing to third party market information.</p> <p>We agreed a sample of dividends received to bank statements.</p> <p>We obtained management's list of all special dividends received by the Company and their allocation as revenue or capital returns, and used a third-party independent data source to assess the completeness of the special dividend population and evaluate management's conclusions as to whether special dividends recognised were revenue or capital in nature, with reference to the underlying circumstances of the investee companies' dividend payments.</p> <p>From our completion of these procedures, we identified no material misstatements in relation to revenue recognition, including allocation of special dividends as revenue or capital returns.</p>

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature and extent of our work and in evaluating the results of that work.

Materiality measure	Value	Materiality measure	Value
<p>Materiality for the financial statements as a whole</p> <p>– We have set materiality as 1% of net assets as we believe that net assets is the primary performance measure used by investors and is the key driver of shareholder value. We determined the measurement percentage to be commensurate with the risk and complexity of the audit and the Company's listed status.</p>	<p>£3.90m</p> <p>(2024: £4.58m)</p>	<p>Specific materiality – Recognising that there are transactions and balances of a lesser amount which could influence the understanding of users of the financial statements we calculate a lower level of materiality for testing such areas.</p> <p>Specifically, given the importance of the distinction between revenue and capital for the Company, we applied a separate testing threshold for the revenue column of the Income statement, set at the higher of 5% of the net revenue return on ordinary activities before taxation and our Audit Committee Reporting Threshold.</p> <p>We have also set a separate specific materiality in respect of related party transactions and Directors' remuneration.</p> <p>We used our judgement in setting these thresholds and considered our experience and industry benchmarks for specific materiality.</p>	<p>£0.19m</p> <p>(2024: £0.23m)</p>
<p>Performance materiality – Performance materiality represents amounts set by the auditor at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.</p> <p>In setting this we consider the Company's overall control environment and any experience of the audit that indicates a lower risk of material misstatements. Based on our judgements of these factors, we have set performance materiality at 75% (2024: 50% as this was our first-year audit) of our overall financial statement materiality.</p>	<p>£2.92m</p> <p>(2024: £2.29m)</p>	<p>Audit Committee reporting threshold – We agreed with the Audit Committee that we would report to them all differences in excess of 5% of overall materiality in addition to other identified misstatements that warranted reporting on qualitative grounds, in our view. For example, an immaterial misstatement as a result of fraud.</p>	<p>£0.19m</p> <p>(2024: £0.23m)</p>

During the course of the audit, we reassessed initial materiality and found no reason to alter the basis of calculation used at year-end.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's method of assessing going concern, including consideration of the performance triggered 2027 tender offer, bank loans, and market conditions and macro-economic uncertainties;
- Assessing and challenging the forecast cashflows and associated sensitivity modelling including assessment of the loan covenants used by the Directors in support of their going concern assessment;
- Obtaining and recalculating management's assessment of the Company's ongoing maintenance of investment trust status; and
- Assessing the adequacy of the Company's going concern disclosures included in the Annual Report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not

cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

- The financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A corporate governance statement has not been prepared by the Company.

Corporate governance statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 77;
- The Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 56;
- The Directors' statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities set out on page 77;
- The Directors' statement on fair, balanced and understandable set out on page 87;
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 49 to 55;
- The section of the annual report that describes the review of the effectiveness of risk management and internal control systems set out on pages 76 and 77; and
- The section describing the work of the Audit Committee set out on pages 79 to 81.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 86 and 87, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006;
- Financial Conduct Authority (FCA) listing and Disclosure Guidance and Transparency Rules (DTR);
- The principles of the UK Corporate Governance Code applied by the AIC Code of Corporate Governance (the “AIC Code”);
- Industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts (“the SORP”) issued in July 2022;
- The Company’s qualification as an investment trust under section 1158 of the Corporation Tax Act 2010; and
- UK Generally Accepted Accounting Practice.

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance

were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk. We identified a heightened fraud risk in relation to:

- Management override of controls;
- Valuation of unlisted investments; and
- Allocation of special dividends.

Audit procedures performed in response to the risks relating to the valuation of unlisted investments and the allocation of special dividends are set out in the section on key audit matters above, and audit procedures performed in response to the risk of management override of controls are included below.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, recalculating the investment management fee, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company’s compliance with the Companies Act 2006 and the Listing Rules; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board on 17 May 2023 to audit the financial statements for the year ended 31 January 2024 and subsequent financial periods. The period of our total uninterrupted engagement is two years, covering the years ended 31 January 2024 to 31 January 2025.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Sutherland (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP
Statutory Auditor
Edinburgh
United Kingdom
2 April 2025

Income statement

For the year ended 31 January

	Notes	2025 Revenue £'000	2025 Capital £'000	2025 Total £'000	2024 Revenue £'000	2024 Capital £'000	2024 Total £'000
Losses on investments	9	–	(34,865)	(34,865)	–	(97,913)	(97,913)
Currency gains	13	–	2,415	2,415	–	13,058	13,058
Income	2	7,389	–	7,389	8,870	–	8,870
Investment management fee	3	(2,482)	–	(2,482)	(2,878)	–	(2,878)
Other administrative expenses	4	(714)	–	(714)	(628)	–	(628)
Net return before finance costs and taxation		4,193	(32,450)	(28,257)	5,364	(84,855)	(79,491)
Finance costs of borrowings	5	(1,465)	–	(1,465)	(1,533)	–	(1,533)
Net return before taxation		2,728	(32,450)	(29,722)	3,831	(84,855)	(81,024)
Tax on ordinary activities	6	(739)	–	(739)	(887)	–	(887)
Net return after taxation		1,989	(32,450)	(30,461)	2,944	(84,855)	(81,911)
Net return per ordinary share	7	0.67p	(10.97p)	(10.30p)	0.94p	(27.13p)	(26.19p)
Note: Dividends per share payable and paid in respect of the year	8	0.60p			0.80p		

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital return columns are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in this statement derive from continuing operations.

A Statement of Comprehensive Income is not required as all gains and losses of the Company have been reflected in the above statement.

The accompanying notes on pages 100 to 115 are an integral part of the Financial Statements.

Balance sheet

As at 31 January

	Notes	2025 £'000	2025 £'000	2024 £'000	2024 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		453,211		539,701
Current assets					
Debtors	10	1,989		3,521	
Cash at bank	18	20,797		2,965	
		22,786		6,486	
Creditors					
Amounts falling due within one year	11	(86,307)		(88,395)	
Net current liabilities			(63,521)		(81,909)
Net assets			389,690		457,792
Capital and reserves					
Share capital	12		6,285		6,285
Share premium account	13		260,270		260,270
Capital redemption reserve	13		21,521		21,521
Capital reserve	13		99,445		167,114
Revenue reserve	13		2,169		2,602
Shareholders' funds			389,690		457,792
Net asset value per ordinary share*	14		139.4p		147.8p

The Financial Statements of Baillie Gifford Shin Nippon PLC (Company Registration Number SC093345) on pages 96 to 115 were approved and authorised for issue by the Board and were signed on its behalf on 2 April 2025.

Jamie Skinner
Chair

* See Glossary of terms and Alternative Performance Measures on pages 129 to 132.

The accompanying notes on pages 100 to 115 are an integral part of the Financial Statements.

Statement of changes in equity

For the year ended 31 January 2025

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 February 2024		6,285	260,270	21,521	167,114	2,602	457,792
Ordinary shares bought back into treasury	12	–	–	–	(35,219)	–	(35,219)
Net return on ordinary activities after taxation	7	–	–	–	(32,450)	1,989	(30,461)
Dividend paid in the period	8	–	–	–	–	(2,422)	(2,422)
Shareholders' funds at 31 January 2025		6,285	260,270	21,521	99,445	2,169	389,690

For the year ended 31 January 2024

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 February 2023		6,285	260,270	21,521	257,719	(342)	545,453
Ordinary shares bought back into treasury	12	–	–	–	(5,750)	–	(5,750)
Net return on ordinary activities after taxation	7	–	–	–	(84,855)	2,944	(81,911)
Shareholders' funds at 31 January 2024		6,285	260,270	21,521	167,114	2,602	457,792

The accompanying notes on pages 100 to 115 are an integral part of the Financial Statements.

Cash flow statement

For the year ended 31 January

	Notes	2025 £'000	2025 £'000	2024 £'000	2024 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation		(29,722)		(81,024)	
Net losses on investments		34,865		97,913	
Currency gains		(2,415)		(13,058)	
Finance costs of borrowings		1,465		1,533	
Overseas withholding tax		(805)		(922)	
Decrease in debtors, accrued income and prepaid expenses		638		351	
(Decrease)/increase in creditors		(402)		150	
Cash inflow from operations			3,624		4,943
Interest paid			(1,460)		(1,462)
Net cash inflow from operating activities			2,164		3,481
Cash flows from investing activities					
Acquisitions of investments		(112,102)		(91,610)	
Disposals of investments		165,814		78,423	
Net cash inflow/(outflow) from investing activities			53,712		(13,187)
Ordinary shares bought back into treasury and stamp duty thereon	12	(35,219)		(5,750)	
Bank loans repaid		(35,907)		12,313	
Bank loans drawn down		35,907		-	
Net cash (outflow)/inflow from financing activities			(35,219)		6,563
Dividends paid	8		(2,422)		-
Increase/(decrease) in cash and cash equivalents			18,235		(3,143)
Exchange movements			(403)		(838)
Cash and cash equivalents at 1 February	18		2,965		6,946
Cash and cash equivalents at 31 January*	18		20,797		2,965

* Cash and cash equivalents represent cash at bank and deposits repayable on demand.

Notes to the Financial Statements

01 Principal accounting policies

The Financial Statements for the year to 31 January 2025 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

a. Basis of accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments and derivative financial instruments at fair value through profit or loss, and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will be retained. The Board has, in particular, considered the impact of heightened market volatility and reviewed the results of specific leverage and liquidity stress testing, but does not believe the Company's going concern status is affected. The Company's assets, which are primarily investments in quoted securities and are readily realisable (Level 1) exceed its liabilities significantly and could be sold to repay borrowings if required.

All borrowings require the prior approval of the Board. Gearing levels and compliance with loan covenants are reviewed by the Board on a regular basis. As at 31 January 2025, the Company had a net current liability of £63.5 million primarily as a result of the revolving credit facilities which are repayable on a three monthly basis although do not mature until 2026 and 2027.

The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011.

Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters, as set out in the Viability Statement on page 56, that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

The Financial Statements have been prepared in accordance with the Companies Act 2006, applicable United Kingdom Accounting Standards and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued in November 2014 and updated in July 2022 with consequential amendments.

In order to reflect better the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the Income statement.

The Company has only one material segment being that of an investment trust company, investing principally in small Japanese companies.

Financial assets and financial liabilities are recognised in the Company's Balance sheet when it becomes a party to the contractual provisions of the instrument.

The Directors consider the Company's functional currency to be sterling as the Company's shareholders are predominantly based in the UK, and the Company and its investment manager, who are subject to the UK's regulatory environment are also UK based.

b. Investments

Purchases and sales

Purchases and sales of investments are accounted for on a trade date basis. All investments are designated as valued at fair value through profit or loss upon initial recognition and are measured at subsequent reporting dates at fair value.

Listed investments

The fair value of listed security investments is bid value or, in the case of holdings on certain recognised overseas exchanges, at last traded prices.

Private company investments

Private company investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' private company investment policy applies techniques consistent with the International Private Equity and Venture Capital Valuation Guidelines 2022 ('IPEV').

The techniques applied are predominantly market-based approaches. The market-based approaches available under IPEV are set out below and are followed by an explanation of how they are applied to the Company's private company portfolio:

- Multiples;
- Industry valuation benchmarks; and
- Available market prices.

The nature of the private company portfolio currently will influence the valuation technique applied. The valuation approach recognises that, as stated in the IPEV Guidelines, the price of a recent investment, if resulting from an orderly transaction, generally represents fair value as at the transaction date and may be an appropriate starting point for estimating fair value at subsequent measurement dates. However, consideration is given to the facts and circumstances as at the subsequent measurement date, including changes in the market or performance of the investee company. Milestone analysis is used where appropriate to incorporate the operational progress of the investee company into the valuation. Additionally, the background to the transaction must be considered. As a result, various multiples-based techniques are employed to assess the valuations particularly in those companies with established revenues. Discounted cashflows are used where appropriate. An absence of relevant industry peers may preclude the application of the Industry Valuation Benchmarks technique and an absence of observable prices may preclude the Available Market Prices approach. All valuations are cross-checked for reasonableness by employing relevant alternative techniques.

The private company investments are valued according to a three monthly cycle of measurement dates. The fair value of the private company investments will be reviewed before the next scheduled three monthly measurement date on the following occasions:

- at the year end and half year end of the Company; and
- where there is an indication of a change in fair value as defined in the IPEV guidelines (commonly referred to as 'trigger' events).

Gains and losses

Gains and losses on investments are recognised in the Income statement as capital items. Gain and losses arising from foreign exchange differences are recognised in the Income statement and classified as a revenue or capital item as appropriate.

c. Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits repayable on demand. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if they have a maturity or period of notice of not more than one working day.

d. Income

- Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.
- Interest from fixed interest securities is recognised on an effective yield basis.
- Overseas dividends include withholding tax deducted at source.
- Interest receivable on bank deposits are recognised on an accruals basis.
- If scrip is taken in lieu of dividends in cash, the net amount of the equivalent cash dividend is credited to the revenue account. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital.

e. Expenses

All expenses are accounted for on an accruals basis and are charged to the revenue account except where they relate directly to the acquisition or disposal of an investment, in which case they are added to the cost of the investment or deducted from the sale proceeds. Expenses directly relating to the issuance of shares are deducted from the proceeds of such issuance.

f. Finance costs

Long term borrowings are carried in the Balance sheet at amortised cost, representing the cumulative amount of net proceeds after issue, plus accrued finance costs. The finance costs of such borrowings are allocated to the revenue account at a constant rate on the carrying amount.

Gains and losses on the repurchase or early settlement of debt are wholly charged to capital.

g. Taxation

Current tax is provided at the amounts expected to be paid or recovered. Deferred taxation is provided on an undiscounted basis on all timing differences which have originated but not reversed by the Balance sheet date, calculated at the tax rates expected to apply when the timing differences reverse, based on what has been enacted or substantially enacted, relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

h. Dividends payable

Dividends are not recognised in the Financial Statements unless there is an obligation to pay at the balance sheet date.

i. Foreign currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Monetary assets, liabilities and equity investments held at fair value in foreign currencies are translated at the closing rates of exchange at the Balance sheet date, with the exception of forward foreign exchange contracts which are valued at the forward rate ruling at the Balance sheet date.

Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the Income statement and classified as a revenue or capital item as appropriate.

j. Share premium account

The balance classified as share premium represents:

- the excess of the proceeds of issuance of new shares over the nominal value; and
- the proceeds of sales of shares held in treasury in excess of the weighted average price paid by the Company to repurchase the shares.

k. Capital reserve

Gains and losses on disposal of investments, changes in the fair value of investments held, exchange differences of a capital nature and the amount by which other assets and liabilities valued at fair value differ from their book cost are dealt with in this reserve. Purchases of the Company's own shares are also funded from this reserve. The capital reserve, to the extent it constitutes realised profits, is distributable.

l. Capital redemption reserve

The nominal value of ordinary share capital repurchased and cancelled is transferred out of the called-up share capital and into the capital redemption reserve.

m. Revenue reserve

The revenue profit or loss for the year is taken to or from this reserve. The revenue reserve when in surplus may be distributed by way of a dividend.

n. Single segment reporting

The Company is engaged in a single segment of business, being investment business, consequently no business segmental analysis is provided.

o. Significant accounting estimates and judgements

The preparation of the Financial Statements requires the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets and liabilities, at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates. The key sources of estimation and uncertainty relate to the assumptions used in the determination of the fair value of the unlisted investments, which are detailed in note 9 on pages 105 and 106.

Judgements

The Directors consider that the preparation of the Financial Statements involves the following key judgements: (i) the determination of the functional currency of the Company as sterling (see rationale in 1(a) above); and (ii) the fair valuation of the unlisted investments. The key judgements in the fair valuation process are: (i) the Managers' determination of the appropriate application of the International Private Equity and Venture Capital Guidelines 2022 ('IPEV') to each unlisted investment; and (ii) the Directors' consideration of whether each fair value is appropriate following detailed review and challenge. The judgement applied in the selection of the methodology used for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unlisted investments by the Managers for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the Balance sheet date. The significance of this estimate has decreased over the year with the decrease in private company investments from 3.7% of total assets to 1.9% (see note 9). The fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The main estimates involved in the selection of the valuation process inputs are:

- the selection of appropriate comparable companies in order to derive revenue multiples and meaningful relationships between enterprise value, revenue and earnings growth. Comparable companies are chosen on the basis of their business characteristics and growth patterns;
- the selection of a revenue metric (either historic or forecast);
- the application of an appropriate discount factor to reflect the reduced liquidity of unlisted companies versus their quoted peers;
- the estimation of the probability assigned to an exit being through an initial public offering ('IPO') or a company sale;
- the selection of an appropriate industry benchmark index to assist with the valuation validation or the application of valuation adjustments, particularly in the absence of established earnings or closely comparable peers; and
- the calculation of valuation adjustments derived from milestone analysis (i.e. incorporating operational success against the plan/forecasts of the business into the valuation).

Fair value estimates are cross-checked to alternative estimation methods where possible to improve the robustness of the estimates. The risk of an over or under estimation of fair values is greater when methodologies are applied using more subjective inputs.

02 Income

	2025 £'000	2024 £'000
Income from investments		
Listed overseas dividends	7,387	8,866
Other income		
Deposit interest	2	4
Total income	7,389	8,870
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	7,387	8,866
Interest from financial assets not at fair value through profit or loss	2	4
Total income	7,389	8,870

03 Investment management fee – all charged to revenue

	2025 £'000	2024 £'000
Investment management fee	2,482	2,878

Details of the Investment Management Agreement are set out on page 66. Baillie Gifford & Co Limited's annual management fee is 0.75% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remainder.

04 Other administrative expenses

	2025 £'000	2024 £'000
General administrative expenses	294	221
Directors' fees (see Directors' remuneration report on page 83)	164	167
Auditor's remuneration (statutory audit of the Company's Financial Statements)*	42	40
Custody fees	49	51
Depository fees	45	53
Registrar fees	23	21
Marketing expenses†	97	75
	714	628

† The Company is part of a marketing programme which includes all the investment trusts managed by the Managers. The marketing strategy has an ongoing objective to stimulate demand for the Company's shares. The cost of this marketing strategy is borne, in partnership, by the Company and the Managers. The Managers match the Company's marketing contribution and provide the resource to manage and run the programme.

05 Finance costs of borrowings

	2025 £'000	2024 £'000
Interest on bank loans	1,456	1,533

The bank loan interest disclosed includes £9,000 paid (2024 – £23,000) in respect of yen deposits held at the custodian bank.

06 Tax on ordinary activities

	2025 £'000	2024 £'000
Analysis of charge in year		
Overseas taxation (charged to revenue)	739	887
Factors affecting tax charge for year		
The tax assessed for the year is higher (2024 – higher) than the average standard rate of corporation tax in the UK of 25%* (2024 – 24%). The differences are explained below:		
Net loss on ordinary activities before taxation	(29,722)	(81,024)
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25%* (2024 – 24%)	(7,431)	(19,446)
Effects of:		
Capital returns not taxable	8,112	20,365
Income not taxable	(1,846)	(2,128)
Overseas withholding tax	739	887
Taxable losses in year not utilised	1,165	1,209
Total tax charge for the year	739	887

* A tax rate of 25% reflects the UK corporation tax rate of 25% effective from 1 April 2023.

As an investment trust, the Company's capital gains are not subject to tax.

At 31 January 2025 the Company had a potential deferred tax asset of £13,551,000 (2024 – £12,386,000) on tax losses which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been recognised on these losses as it is considered unlikely that the Company will generate taxable profits in the future and it is not liable to tax on its capital gains. The unrecognised deferred tax asset has been calculated using a corporation tax rate of 25% (2024 – 25%).

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to retain approval for the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

07 Net return per ordinary share

	2025 Revenue	2025 Capital	2025 Total	2024 Revenue	2024 Capital	2024 Total
Net loss on ordinary activities after taxation	0.67p	(10.97p)	(10.30p)	0.94p	(27.13p)	(26.19p)

Revenue return per ordinary share is based on the net revenue gain on ordinary activities after taxation of £1,989,000 (2024 – gain of £2,944,000) and on 295,693,208 ordinary shares (2024 – 312,785,827) being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on the net capital loss for the financial year of £32,450,000 (2024 – net capital loss of £84,855,000) and on 295,693,208 ordinary shares (2024 – 312,785,827) being the weighted average number of ordinary shares in issue during the year.

There are no dilutive or potentially dilutive shares in issue.

08 Ordinary dividends

	2025 p	2024 p	2025 £'000	2024 £'000
Amounts recognised as distributions in the year:				
Previous year's final dividend (paid 30 May 2024)	0.80p	–	2,422	–

We set out below the total dividends proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. There is a revenue surplus for the year to 31 January 2025 of £1,989,000 which is available for distribution by way of a dividend payment (year to 2024 – a revenue surplus of £2,944,000).

	2025 p	2024 p	2025 £'000	2024 £'000
Amounts paid and payable in respect of the financial year:				
Proposed final dividend per ordinary share (payable 29 May 2025)	0.60p	–	1,677	–

09 Fixed assets – investments

As at 31 January 2025	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Quoted equities	444,025	–	–	444,025
Unlisted securities	–	–	9,186	9,186
Total financial asset investments	444,025	–	9,186	453,211

As at 31 January 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Quoted equities	519,949	–	–	519,949
Unlisted securities	–	–	19,752	19,752
Total financial asset investments	519,949	–	19,752	539,701

Investments in securities are financial assets designated at fair value through profit or loss. In accordance with Financial Reporting Standard 102, the tables provide an analysis of these investments based on the fair value hierarchy described below, which reflects the reliability and significance of the information used to measure their fair value.

Fair value hierarchy

The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through the profit or loss account are measured is described below. Fair value measurements are categorised on the basis of the lowest level input that is significant to the fair value measurement.

Level 1 – using unadjusted quoted prices for identical instruments in an active market;

Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 – using inputs that are unobservable (for which market data is unavailable).

The valuation techniques used by the Company are explained in the accounting policies on pages 100 and 101.

Unlisted securities are categorised as Level 3. None of the financial liabilities are designated at fair value through profit or loss in the Financial Statements.

09 Fixed assets – investments (continued)

Fair value hierarchy (continued)

	Quoted securities £'000	Unlisted securities £'000 †	2025 Total £'000	2024 Total £'000
Cost of investments at 1 February 2024	543,407	20,141	563,548	565,226
Investment holding (losses)/gains at 1 February 2024	(23,458)	(389)	(23,847)	60,696
Value of investments at 1 February 2024	519,949	19,752	539,701	625,922
Analysis of transactions during the year:				
Purchases at cost	113,229	-	113,229	90,905
Sales proceeds received	(164,854)	-	(164,854)	(79,213)
Realised losses on investments	(42,425)	-	(42,425)	(13,370)
Movement in unrealised depreciation	18,126	(10,566)	7,560	(84,543)
Fair value of investments held at 31 January 2025	444,025	9,186	453,211	539,701
Cost of investments held at 31 January 2025	449,357	20,141	469,498	563,548
Investment holding losses at 31 January 2025	(5,332)	(10,955)	(16,287)	(23,847)
Fair value of investments held at 31 January 2025	444,025	9,186	453,211	539,701

† The unlisted security investments include holdings of preference shares in Moneytree K.K. and Gojo & Company, and ordinary shares in Spiber and JEPLAN.

The company received £164,854,000 (2024 – £79,213,000) from investments sold in the year. The book cost of these investments when they were purchased was £207,279,000 (2024 – £92,583,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Transaction costs of £48,000 (2024 – £39,000) and £49,000 (2024 – £31,000) were suffered on purchases and sales respectively.

	2025 £'000	2024 £'000
Net losses on investments		
Losses on sales	(42,425)	(13,370)
Changes in investment holding gains	7,560	(84,543)
	(34,865)	(97,913)

The loss on sales of £42,425,000 and decrease in investment holding losses of £7,560,000 include amounts relating to:
i) changes in local currency fair value of the investments; and, ii) movements in the yen/sterling exchange rate.

10 Debtors

	2025 £'000	2024 £'000
Accrued income	1,652	2,248
Sales for subsequent settlement	196	1,156
Other debtors and prepayments	141	117
	1,989	3,521

The debtors above are stated at amortised cost which is a reasonable approximation to fair value.

11 Creditors – amounts falling due within one year

	2025 £'000	2024 £'000
Purchases for subsequent settlement	1,652	525
ING Bank N.V revolving loan	46,775	86,475
Bank of America revolving loan	36,901	–
Other creditors and accruals	979	1,395
	86,307	88,395

Included in creditors is £611,000 (2024 – £704,000) in respect of the investment management fee.

The creditors above are stated at amortised cost which is a reasonable approximation to fair value.

Amortisation of the loan arrangement fees during the year was £19,000 (2024 – £45,000).

Borrowing facilities

At 31 January 2025

ING Bank N.V. – 3 year ¥2,000 million revolving credit facility maturing 3 March 2026. The rollover date is 10 March 2025.

ING Bank N.V. – 3 year ¥7,000 million revolving credit facility maturing 23 November 2026. The rollover date is 26 February 2025.

Bank of America – 3 year ¥7,100 million revolving credit facility maturing 7 November 2027. The rollover date is 10 March 2025.

At 31 January 2024

ING Bank N.V. – 3 year ¥7,000 million loan at 1.400% maturing 23 November 2026.

ING Bank N.V. – 3 year ¥5,000 million loan at 1.400% maturing 8 November 2024.

ING Bank N.V. – 7 year ¥2,100 million loan at 1.693% maturing 18 December 2024.

The covenants during the year relating to the ING Bank N.V. loans were as follows:

(i) Total borrowings shall not exceed 35% of the Company's net asset value; and

(ii) The Company's minimum net asset value shall be £225 million.

There were no breaches in loan covenants during the year.

Security has been provided to ING Bank N.V. and Bank of America in respect of the loans by way of floating charges.

The interest rate, maturity profiles and fair value of the bank loans are shown in note 18.

During the year, the existing secured three-year ¥5bn and seven-year ¥2.1bn fixed rate facilities with ING Bank N.V. ('ING') were refinanced on expiry with Bank of America, N.A. London Branch ('Bank of America'). Additionally, following the financial period end, the remaining ¥2bn and ¥7bn revolving credit facilities with ING were cancelled and incorporated into the cheaper secured revolving credit facility with Bank of America (extended to ¥16.1bn).

12 Share capital

	2025 Number	2025 £'000	2024 Number	2024 £'000
Allotted and fully paid ordinary shares of 2p each	279,491,301	5,590	309,757,485	6,195
Treasury shares of 2p each	34,761,184	695	4,495,000	90
	314,252,485	6,285	314,252,485	6,285

At 31 January 2025 the Company had remaining authority to buy back 25,074,156 shares. 30,266,184 shares were bought back during the year for total consideration of £35,219,000 (2024 – 4,395,000 shares for a total consideration of £5,750,000). Share buy-backs are funded from the capital reserve.

During the year the Company issued no shares on a non pre-emptive basis (2024 – no shares).

Between 1 February and 31 March 2025 the Company did not issue any shares and bought back 9,100,000 shares.

13 Capital and reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 February 2024	6,285	260,270	21,521	167,114	2,602	457,792
Shares purchased for treasury	–	–	–	(35,219)	–	(35,219)
Net loss on disposal of investments	–	–	–	(42,425)	–	(42,425)
Changes in investment holding gains	–	–	–	7,560	–	7,560
Exchange differences on bank loans	–	–	–	2,818	–	2,818
Exchange differences on settlement of investment transactions	–	–	–	(405)	–	(405)
Other exchange differences	–	–	–	2	–	2
Net revenue return for the year	–	–	–	–	1,989	1,989
Dividend paid in the year	–	–	–	–	(2,422)	(2,422)
At 31 January 2025	6,285	260,270	21,521	99,445	2,169	389,690

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 February 2023	6,285	260,270	21,521	257,719	(342)	545,453
Shares purchased for treasury	–	–	–	(5,750)	–	(5,750)
Net loss on disposal of investments	–	–	–	(13,370)	–	(13,370)
Changes in investment holding gains	–	–	–	(84,543)	–	(84,543)
Exchange differences on bank loans	–	–	–	13,896	–	13,896
Exchange differences on settlement of investment transactions	–	–	–	(32)	–	(32)
Other exchange differences	–	–	–	(806)	–	(806)
Net revenue return for the year	–	–	–	–	2,944	2,944
At 31 January 2024	6,285	260,270	21,521	167,114	2,602	457,792

The capital reserve includes investment holding losses of £16,287,000 (2024 – losses of £23,847,000) as disclosed in note 9. The revenue reserve and the capital reserve (to the extent it constitutes realised profits) are distributable.

14 Net asset value per ordinary share

The net asset value attributable to the ordinary shareholders and the net asset value per ordinary share at the year end were as follows:

	2025	2024
Net asset value/shareholders' funds*	£389,690,000	£457,792,000
Number of ordinary shares in issue at year end†	279,491,301	309,757,485
Shareholders' funds per ordinary share/net asset value per ordinary share (after deducting borrowings at book value)*	139.4p	147.8p

* See Glossary of terms and Alternative Performance Measures on pages 129 to 132.

† Excluding shares held in treasury.

15 Contingent liabilities, guarantees and financial commitments

There were no contingent liabilities, guarantees or financial commitments at either year end.

16 Analysis of change in net debt

	31 January 2024 £'000	Cash flows £'000	Exchange movement £'000	Other non-cash changes £'000	31 January 2025 £'000
Cash and cash equivalents	2,965	18,235	(403)	–	20,797
Loans due within one year*	(86,475)	–	2,818	(19)	(83,676)
	(83,510)	18,235	2,415	(19)	(62,879)

* Cash flows include a loan drawdown from the Bank of America facility of £35,907,000 which repaid the ING ¥5,000 million and ¥2,100 million loans on 8 November and 18 December 2024 respectively.

17 Related Parties and transactions with the Managers

The Directors' fees for the year are detailed in the Directors' remuneration report on page 83. No Director has a contract of service with the Company. During the years reported no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006. Details of Directors' holdings at 31 January 2025 are detailed in the Directors' Remuneration report on page 84.

Baillie Gifford & Co Limited has been appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretaries. Details of the terms of the Investment Management Agreement are set out on page 66 and details of the fees during the year and the balances outstanding at the year end are shown in note 3 and 11.

18 Financial instruments and risk management

As an Investment Trust, the Company invests in small Japanese company securities and makes other investments so as to achieve its investment objective of long term capital growth. The Company borrows money when the Board and Managers have sufficient conviction that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests and could result in a reduction in the Company's net assets.

These risks are categorised as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposures to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise the short term volatility.

The Company may enter into derivative transactions as explained in the objective and policy on pages 46 and 47. No such transactions were undertaken in the year under review.

The risk management policies and procedures outlined in this note have not changed substantially from the previous accounting year.

Market risk

The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The Board of Directors reviews and agrees policies for managing these risks and the Company's Managers both assess the exposure to market risk when making individual investment decisions and monitor the overall level of market risk across the investment portfolio on an ongoing basis. Details of the Company's investment portfolio are shown in note 9.

i. Currency risk

The Company's assets, liabilities and income are principally denominated in yen. The Company's functional currency and that in which it reports its results is sterling. Consequently, movements in the yen/sterling exchange rate will affect the sterling value of those items.

The Managers monitor the Company's yen exposure (and any other overseas currency exposure) and report to the Board on a regular basis. The Managers assess the risk to the Company of the overseas currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. However, the country in which a company is quoted is not necessarily where it earns its profits. The movement in exchange rates on overseas earnings may have a more significant impact upon a company's valuation than a simple translation of the currency in which the company is quoted.

Yen borrowings are used periodically to limit the Company's exposure to anticipated future changes in the yen/sterling exchange rate which might otherwise adversely affect the value of the portfolio of investments. The Company may also use forward currency contracts, although none have been used in the current or prior year.

18 Financial instruments and risk management (continued)

i. Currency risk (continued)

Exposure to currency risk through asset allocation, which is calculated by reference to the currency in which the asset or liability is quoted, is shown below.

	Investments £'000	Cash and deposits £'000	Bank loans £'000	Other debtors and creditors £'000	Net exposure £'000
At 31 January 2025					
Yen	453,211	20,752	(83,676)	(55)	390,232
Total exposure to currency risk	453,211	20,752	(83,676)	(55)	390,232
Sterling	-	45	-	(587)	(542)
	453,211	20,797	(83,676)	(642)	389,690
	Investments £'000	Cash and deposits £'000	Bank loans £'000	Other debtors and creditors £'000	Net exposure £'000
At 31 January 2024					
Yen	539,701	2,792	(86,475)	2,613	458,631
Total exposure to currency risk	539,701	2,792	(86,475)	2,613	458,631
Sterling	-	173	-	(1,012)	(839)
	539,701	2,965	(86,475)	1,601	457,792

Currency risk sensitivity

At 31 January 2025, if sterling had strengthened by 10% against the yen, with all other variables held constant, total net assets and net return on ordinary activities after taxation would have decreased by £39,023,000 (2024 – decreased by £45,863,000). A 10% weakening of sterling against the yen, with all other variables held constant, would have had a similar but opposite effect on the Financial Statement amounts.

ii. Interest rate risk

Interest rate movements may affect directly:

- the fair value of any investments in fixed interest rate securities;
- the level of income receivable on cash deposits;
- the fair value of the Company's fixed-rate borrowings; and
- the interest payable on any variable rate borrowings which the Company may take out.

They may also impact upon the market value of the Company's investments as the effect of interest rate movements upon the earnings of a company may have a significant impact upon the valuation of that company's equity.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and when entering borrowing agreements.

The Board reviews on a regular basis the amount of investments in cash and the income receivable on cash deposits.

The Company finances part of its activities through borrowings at approved levels. The amount of such borrowings and the approved levels are monitored and reviewed regularly by the Board.

The interest rate risk profile of the Company's financial assets and liabilities at 31 January 2025 is shown below. There was no significant change to the interest rate risk profile during the year.

18 Financial instruments and risk management (continued)

ii. Interest rate risk (continued)

Financial assets

	2025 Fair value £'000	2025 Weighted average interest rate	2024 Fair value £'000	2024 Weighted average interest rate
Cash:				
Yen	20,752	(0.16%)	2,792	(0.40%)
Sterling	45	3.60%	173	4.07%
	20,797		2,965	

The cash deposits generally comprise overnight call or short term money market deposits and earn interest at floating rates based on prevailing bank base rates.

Financial liabilities

The interest rate risk profile of the Company's financial liabilities at 31 January was:

	2025 Book value £'000	2025 Weighted average interest rate	2025 Weighted average period until maturity	2024 Book value £'000	2024 Weighted average interest rate	2024 Weighted average period until maturity
Bank loans:						
Yen denominated – fixed rate	–	–	–	38,126	1.5%	293 days
Yen denominated – floating rate	83,676	1.7%	25 days	48,349	1.8%	29 days

Interest rate risk sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date and with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

An increase of 1% in interest rates, with all other variables being held constant, would have decreased the Company's total net assets and total return on ordinary activities for the year ended 31 January 2025 by £542,000 (2024 – £175,000). This is mainly due to the Company's exposure to interest rates on its floating rate bank loans and cash balances. A decrease of 1% would have had an equal but opposite effect.

iii. Other price risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets. The Company's exposure to changes in market prices relates to the fixed asset investments as disclosed in note 9.

The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Manager. The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies. The portfolio does not seek to reproduce the index, investments are selected based upon the merit of individual companies and therefore performance may well diverge from the comparative index.

Other price risk sensitivity

A full list of the Company's investments is shown on pages 43 to 45. In addition, analysis of the portfolio by investment theme is contained in the Strategic Report. 113.9% of the Company's net assets are invested in listed equities (2024 – 113.6%). A 10% increase in listed equity valuations at 31 January 2025 would have increased total assets and total return on ordinary activities by £44,403,000 (2024 – £51,995,000). A decrease of 10% would have had an equal but opposite effect.

2.4% (2024 – 4.3%) of the Company's net assets are invested in private company investments. The fair valuation of the private company investments is influenced by the judgements and estimates made in the fair valuation process (see 1(o) on page 102). A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve subjectivity in their significant unobservable inputs and illustrates the sensitivity of the valuations to these inputs. The inputs have been flexed by +/-10% with the exception of the recent transaction price valuation approach as it does not involve significant subjectivity. The table also provides the range of values for the key unobservable inputs.

18 Financial instruments and risk management (continued)

iii. Other price risk (continued)

As at 31 January 2025		Significant unobservable inputs*					
Valuation technique	Fair value as at 31 January 2025 £'000	Key unobservable inputs	Other unobservable inputs†	Range	Weighted average range #	Sensitivity %	Sensitivity to changes in significant unobservable inputs
Market approach using comparable traded multiples	7,322	EV / LTM revenue multiple	a,b,c,d,e	1.8x to 6.5x	2.6x	10%	If EV/LTM multiples changed by +/- 10%, the fair value would change by £648,471 and -£640,574.
		Illiquidity discounts	f	10%	10%	10%	If the illiquidity discount is changed by +/-10%, the fair value would change by £4,172 and -£4,167.
		Transaction implied premium and discounts	g	21%	21%	10%	If a +/- 10% adjustment is applied to the calculated premiums the fair value would change by +/- £204,995.
Benchmark performance	1,864	Selection of comparable companies, indices and ETFs	a,b,c,d	-31% to -22%	-27%	10%	If input comparable benchmark performance changed by +/- 10%, the fair value would change by +/- £186,429.
		Insolvency risk discount	a,b,h	75%	75%	10%	If the insolvency risk discount is changed by +/-10%, the fair value would change by +/- £559,288.

As at 31 January 2024		Significant unobservable inputs*					
Valuation technique	Fair value as at 31 January 2024 £'000	Key unobservable inputs	Other unobservable inputs†	Range	Weighted average range #	Sensitivity %	Sensitivity to changes in significant unobservable inputs
Recent transaction price	11,544	n/a¶	a,b	n/a	n/a	n/a	n/a
Market approach using comparable trading multiples	8,208	EV/LTM revenue multiple‡	a,b,c,e	6.6x to 6.9x	6.8x	10.0%	If EV/LTM multiples changed by +/-10%, the fair value would change by £726,400 and -£693,983.
		Illiquidity discounts	f	10.0%	n/a	10.0%	If the illiquidity discount is changed by +/-10%, the fair value would change by £79,067 and -£78,875.

† See explanation for other unobservable inputs on page 113 (sections 'a' to 'h' as relevant).

Weighted average is calculated by reference to the fair value of holdings as at the respective year-end. This therefore gives a clearer indication of the typical multiple or adjustment being applied across the portfolio.

¶ Whilst a recent transaction price may be the most appropriate basis for a valuation, it will be corroborated by other techniques which factor in the unobservable inputs noted in the above table. However, the transaction price itself is observable.

‡ Enterprise value (EV) divided by the last twelve months (LTM) revenue.

§ See explanation for the selection of comparable companies on page 113 section 'c'. The percentage movements reflect the movement in overall company value for the basket of comparable companies relevant to each holding since the most recent transaction or since the last assessed.

* **Significant unobservable inputs**

The variable inputs applicable to each broad category of valuation basis will vary depending on the particular circumstances of each private company valuation. An explanation of each of the key variable inputs is provided below. The assumptions made in the production of the inputs are described in note 1(o) on page 102.

18 Financial instruments and risk management (continued)

iii. Other price risk (continued)

a. Application of valuation basis

Each investment is assessed independently, and the valuation basis applied will vary depending on the circumstances of each investment. When an investment is pre-revenue, the focus of the valuation will be on assessing the recent transaction and the achievement of key milestones since investment. Adjustments may also be made depending on the performance of comparable benchmarks and companies. For those investments where a trading multiples approach can be taken, the methodology will factor in revenue, earnings or net assets as appropriate for the investment, and where a suitable correlation can be identified with the comparable companies then a regression analysis will be performed. Discounted cash flows will also be considered where appropriate forecasts are available.

b. Probability estimation of liquidation events

The probability of a liquidation event such as a company sale, or alternatively an initial public offering ('IPO'), is a key variable input in the transaction-based and multiples-based valuation techniques. The probability of an IPO versus a company sale is typically estimated from the outset to be 50:50 if there has been no indication by the company of pursuing either of these routes. If the company has indicated an intention to IPO, the probability is increased accordingly to 75% and if an IPO has become a certainty the probability is increased to 100%. Likewise, in a scenario where a company is pursuing a trade sale the weightings will be adjusted accordingly in favour of a sale scenario, or in a situation where a company is underperforming expectations significantly and therefore deemed very unlikely to pursue an IPO.

c. Selection of comparable companies

The selection of comparable companies is assessed individually for each investment at the point of investment, and the relevance of the comparable companies is continually evaluated at each valuation. The key criteria used in selecting appropriate comparable companies are the industry sector in which they operate, the geography of the company's operations, the respective revenue and earnings growth rates and the operating margins. Typically, between 4 and 10 comparable companies will be selected for each investment, depending on how many relevant comparable companies are identified. The resultant revenue or earnings multiples or share price movements derived will vary depending on the companies selected and the industries in which they operate.

d. Selection of appropriate benchmarks

The selection of appropriate benchmarks is assessed individually for each investment. The industry and geography of each company are key inputs to the benchmark selection, with either one or two key indices or benchmarks being used for comparison.

e. Estimated sustainable earnings

The selection of sustainable revenue or earnings will depend on whether the company is sustainably profitable or not, and where it is not then revenues will be used in the valuation. The valuation approach will typically assess companies based on the last twelve months of revenue or earnings, as they are the most recent available and therefore viewed as the most reliable. Where a company has reliably forecasted earnings previously or there is a change in circumstance at the business which will impact earnings going forward, then forward estimated revenue or earnings may be used instead.

f. Application of illiquidity discount

The application of an illiquidity discount will be applied either through the calibration of a valuation against the most recent transaction, or by application of a specific discount. The discount applied where a calibration is not appropriate is typically 10%, reflecting the fact that the majority of the investments held are substantial companies with some secondary market activity.

g. Transaction implied premium and discount

Where there is an implied company valuation available as a result of an external arm's length transaction, the ongoing valuation will be calibrated to this by deriving a company valuation with reference to the average multiple from a set of comparable companies and comparing this to a transaction implied valuation, and could result in an implied premium or discount compared to comparable companies at the point of transaction. This discount or premium will be considered in future valuations, and may be reduced due to factors such as period of time since the transaction and company performance. Where a calibrated approach is not appropriate, a discount for illiquidity will be applied as noted in (e) above.

h. Insolvency risk discount

Insolvency risk discount is applied to investments where there is considered to be uncertainty surrounding the entity's ability to continue as a going concern. The level of discount considers the portfolio company's cash runway and underlying performance.

18 Financial instruments and risk management (continued)

iii. Other price risk (continued)

Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not significant in normal market conditions as the majority of the Company's assets are in investments that are readily realisable.

The Company's investment portfolio is in Japanese small-cap equities which are typically less liquid than larger capitalisation stocks. The Managers monitor the liquidity of the portfolio on an ongoing basis and relevant guidelines are in place. The investment portfolio is sufficiently liquid to allow stocks to be realised to repay borrowings if required.

The Board provides guidance to the Managers as to the maximum exposure to any one holding (see objective and policy on pages 46 and 47).

The maturity profile of the Company's financial liabilities at 31 January was:

	2025 £'000	2024 £'000
In less than one year:		
– repayment of loan	83,676	86,491
– accumulated interest	104	537
	83,780	87,028

The Company has the power to take out borrowings, which gives it access to additional funding when required.

Credit risk

This is the risk that a failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss. This risk is managed as follows:

- The Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Managers monitor the Company's risk by reviewing the custodian's internal control reports and reporting their findings to the Board;
- Investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Managers. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed;
- The creditworthiness of the counterparty to transactions involving derivatives, structured notes and other arrangements, wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, are subject to rigorous assessment by the Managers; and
- At 31 January 2025 and 2024, all cash deposits were held with the custodian bank. The credit risk of the custodian is reviewed as detailed above. Cash may also be held at banks that are regularly reviewed by the Managers. If the credit rating of a bank where a cash deposit was held fell significantly, the Managers would endeavour to move the cash to an institution with a superior credit rating.

18 Financial instruments and risk management (continued)

iii. Other price risk (continued)

Credit risk exposure

The maximum exposure to credit risk at 31 January was:

	2025 £'000	2024 £'000
Cash and deposits	20,797	2,965
Debtors	1,883	3,414
	22,680	6,379

None of the Company's financial assets are past due or impaired.

Fair value of financial assets and financial liabilities

The Company's investments are stated at fair value and the Directors are of the opinion that the reported values of the Company's other financial assets and liabilities approximate to fair value with the exception of the long term borrowings which are stated at amortised cost. The fair value of the loans is shown below.

Financial assets

	2025 Book value £'000	2025 Fair value £'000 *	2024 Book value £'000	2024 Fair value £'000 *
Fixed rate yen bank loans	–	–	38,126	38,096
Floating rate yen bank loans†	83,676	83,676	48,349	48,349
	83,676	83,676	86,475	86,445

* The fair value of each bank loan is calculated using methodologies consistent with International Private Equity and Venture Capital Valuation ('IPEV') guidelines.

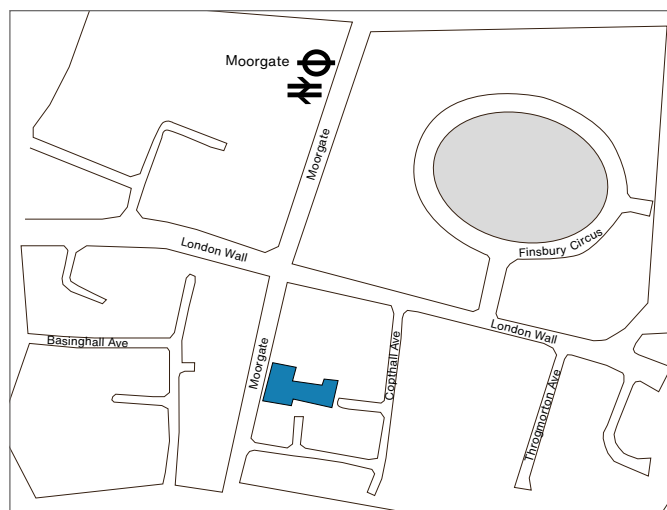
† All short-term floating rate borrowings are stated at book cost which is considered to be equal to their fair value given the facilities are revolving credit facilities.

Capital management

The capital of the Company is its share capital and reserves as set out in note 13 together with its borrowings (see note 11). The Company's investment objective and policy is set out on pages 46 and 47. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on pages 49 to 55. The Company has the ability to buy back and issue shares (see pages 68 and 69) and changes to the share capital during the year are set out in note 12. The Company does not have any externally imposed capital requirements other than the covenants on its loans which are detailed in note 11.

Shareholder information

Notice of Annual General Meeting



● ICAEW

Baillie Gifford™



The Annual General Meeting of the Company will be held at the ICAEW, Chartered Accountants' Hall, 1 Moorgate Place, London, EC2R 6EA on Tuesday 20 May 2025 at 11.30am. You will find directions to the venue by scanning the QR code above.

To accurately reflect the views of shareholders of the Company, the Board intends to hold the AGM voting on a poll, rather than a show of hands, as has been customary.

The Board encourages all shareholder to submit proxy voting forms as soon as possible and, in any event, by no later than 11.30am on 16 May 2025.

Should shareholders have questions for the Board or the Managers or any queries as to how to vote or how to attend the meeting they are welcome as always to submit them by email to trustenquiries@bailliegifford.com or call 0800 917 2112. Baillie Gifford may record your call.

For details of how to vote your shares if held via a platform please refer to theaic.co.uk/how-to-vote-your-shares.

Notice is hereby given that the fortieth Annual General Meeting of Baillie Gifford Shin Nippon PLC will be held at ICAEW, Chartered Accountants' Hall, 1 Moorgate Place, London, EC2R 6EA, on Tuesday, 20 May 2025 at 11.30am for the following purposes.

Resolution 14 is classified as special business, all other Resolutions are ordinary business.

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions:

01. To receive and adopt the Financial Statements of the Company for the year ended 31 January 2025 with the Reports of the Directors and of the Independent Auditor thereon.
02. To approve the Directors' Annual Report on Remuneration for the year ended 31 January 2025.
03. To declare a final dividend of 0.60p per ordinary share.
04. To re-elect Ms CEC Finn as a Director of the Company.
05. To re-elect Ms AE Rotheroe as a Director of the Company.
06. To re-elect Mr J Skinner as a Director of the Company.
07. To re-elect Mr KJ Troup as a Director of the Company.
08. To re-elect Professor S Vijayakumar as a Director of the Company.
09. To re-appoint Johnston Carmichael LLP as Independent Auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.

10. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
11. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ('Securities') provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £1,802,428.40 (representing 33.33% of the nominal value of the issued share capital excluding treasury shares as at 31 March 2025), such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the expiry of 15 months from the passing of this Resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass the following Resolutions as Special Resolutions:

12. That, subject to the passing of Resolution 11 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to sections 570 and 573 of the Companies Act 2006 ('the Act') to allot equity securities (within the meaning of section 560(1) of the Act) for cash, either pursuant to the authority given by Resolution 11 above or by way

of the sale of treasury shares wholly for cash as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power:

a. expires at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the expiry of 15 months from the passing of this Resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

b. shall be limited to the allotment of equity securities up to an aggregate nominal value of £540,782.60 being approximately 10% of the nominal value of the issued share capital excluding treasury shares of the Company as at 31 March 2025.

13. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 ('the Act') to make market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares (either for retention as treasury shares for future reissue, resale, transfer or cancellation), provided that:

a. the maximum aggregate number of ordinary shares hereby authorised to be purchased is 40,531,656 being approximately 14.99% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution;

b. the minimum price (excluding expenses) which may be paid for each ordinary share is the nominal value of that share;

c. the maximum price (excluding expenses) which may be paid for each ordinary share shall not be more than the higher of:

i. 5% above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and

ii. the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and

d. unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

14. That, subject to the confirmation of the Court of Session (the Court) and subject also to any undertaking required by the Court:

(i) the share capital of the Company be reduced by cancelling the entire amount standing to the credit of the Company's share premium account as at the date of the final hearing before the Court at which the confirmation of the said cancellation is sought; and

(ii) the credit thereby arising in the Company's books of account from the cancellation of the Company's share premium account be applied in crediting a distributable reserve (to be designated the Distributable Capital Reserve) to be established in the Company's books of account which shall be able to be applied in any manner in which the Company's profits available for distribution (as determined in accordance with the Companies Act 2006) are able to be applied.

By order of the Board
Baillie Gifford & Co
Limited Managers and Secretaries
14 April 2025

Notes

01. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address or telephone number provided either in this notice or any related documents (including the Financial Statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
02. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or **eproxyappointment.com** no later than 48 hours (excluding non-working days) before the time of the meeting or any adjourned meeting.
03. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website **euroclear.com/CREST**. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
04. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
05. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
06. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
07. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.

08. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 48 hours (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
09. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
11. The members of the Company may require the Company to publish, on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's Financial Statements, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN.
12. Information regarding the AGM, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at shinnippon.co.uk.
13. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
14. As at 31 March 2025 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 270,391,301 ordinary shares excluding treasury shares, carrying one vote each. Therefore, the total voting rights in the Company as at 31 March 2025 were 270,391,301 votes.
15. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chair of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.
16. No Director has a contract of service with the Company.

Further shareholder information

Baillie Gifford Shin Nippon is an investment trust. Investment trusts offer investors the following:

- participation in a diversified portfolio of shares;
- constant supervision by experienced professional managers; and
- the Company is free from capital gains tax on capital profits realised within its portfolio although investors are still liable for capital gains tax on profits when selling their investment.

How to invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker or by asking a professional adviser to do so. If you are interested in investing directly in Baillie Gifford Shin Nippon, you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting the investment trust pages at bailliegifford.com.

Sources of further information on the Company

The price of shares is quoted daily in the Financial Times and can also be found on the Company's page on Baillie Gifford's website at shinnippon.co.uk, Trustnet at trustnet.co.uk and on other financial websites. Company factsheets are also available on the Baillie Gifford website and are updated monthly. These are available from Baillie Gifford on request.

Baillie Gifford Shin Nippon share identifiers

ISIN GB00BFXYH242

Sedol BFXYPH24

Ticker BGS

Legal Entity Identifier X5XCIPCJQCSUF8H1FU83

The ordinary shares of the Company are listed on the London Stock Exchange and their price is shown in the Financial Times.

Key dates

The Annual Report and Financial Statements are normally issued in March or early April and the AGM is normally held during May. Any dividends, if applicable, will be paid as a single final payment shortly after the Company's AGM.

Capital gains tax

The cost for capital gains taxation purposes to shareholders who subscribed for ordinary shares (with warrants attached) is apportioned between the ordinary shares and the warrants on the following basis:

	Apportioned cost *	First day of dealing value *
Cost of each ordinary share	9.45p	8.9p
Cost of fraction for warrant	0.55p	2.7p
	10.00p	

The cost for capital gains tax purposes to shareholders who subscribed for the conversion shares, subsequently converted into new ordinary shares (with warrants attached) is apportioned between the ordinary shares and the warrants as set out in the placing and offer document dated 18 May 1994.

The attributable costs are:

	Apportioned cost *	First day of dealing value *
Cost of each ordinary share	32.96p	35.6p
Cost of fraction for warrant	15.37p	16.6p

* Adjusted for the five for one share split on 21 May 2018.

If shareholders are in any doubt as to their personal taxation position they should consult their professional advisers.

Share register enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0370 889 3223.

This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

- hear the latest share price;
- confirm your current share holding balance; and
- order Change of Address and Stock Transfer forms.

By quoting the reference number on your share certificate you can check your holding on the Registrar's website at investorcentre.co.uk.

They also offer a free, secure, share management website service which allows you to:

- view your share portfolio and see the latest market price of your shares;
- calculate the total market price of each shareholding;
- view price histories and trading graphs;
- change address details; and
- use online dealing services.

To take advantage of this service, please log in at investorcentre.co.uk and enter your Shareholder Reference Number and Company Code (this information can be found on your share certificate).

How to vote your shares

As a shareholder you have a say on how the Company is run. The following link will take you through to The Association of Investment Companies (AIC) website where there is information on how to vote your shares if you hold them via one of the major platforms:

theaic.co.uk/how-to-vote-your-shares.

Electronic proxy voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at investorcentre.co.uk/eproxy.

If you have any questions about this service please contact Computershare on 0370 889 3223.

CREST proxy voting

If you are a user of the CREST system (including a CREST Personal Member), you may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. For further information please refer to the CREST Manual.

Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as information only.

These Financial Statements have been approved by the Directors of Baillie Gifford Shin Nippon PLC. Baillie Gifford only provides information about its products and does not provide investment advice. The staff of Baillie Gifford and Baillie Gifford Shin Nippon's Directors may hold shares in Baillie Gifford Shin Nippon and may buy or sell such shares from time to time.

Data protection

The Company is committed to ensuring the confidentiality and security of any personal data provided to it. Further details on how personal data is held and processed on behalf of the Company can be found in the privacy policy available on the Company's website shinnippon.co.uk.

Alternative Investment Fund Managers Regulations ('AIFMR')

In accordance with the AIFM Regulations, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors. In accordance with the Regulations, the AIFM remuneration policy is available at bailliegifford.com or on request (see contact details in the 'Company information' section on page 133) and the most recent numerical remuneration disclosures in respect of the AIFM's relevant reporting period are available at bailliegifford.com.

Leverage

The Company's maximum and actual leverage levels (see Glossary of terms and Alternative Performance Measures on pages 129 to 132) at 31 January 2025 were as follows:

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.22:1	1.22:1

Automatic Exchange of Information

In order to fulfil its obligations under UK tax legislation relating to the automatic exchange of information, Baillie Gifford Shin Nippon PLC is required to collect and report certain information about certain shareholders.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, Baillie Gifford Shin Nippon PLC must provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

Shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders gov.uk/government/publications/exchange-of-information-account-holders.

Communicating with shareholders



Trust magazine

Trust magazine

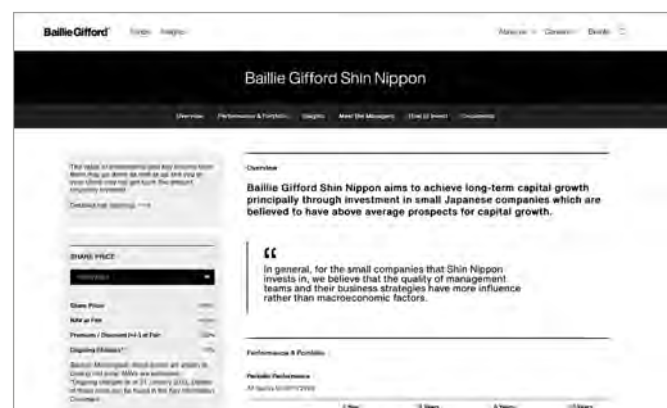
Trust is the Baillie Gifford investment trust magazine which is published twice a year. It provides an insight to our investment approach by including interviews with our fund managers, as well as containing investment trust news, investment features and articles about the trusts managed by Baillie Gifford, including Baillie Gifford Shin Nippon. **Trust** plays an important role in helping to explain our products so that readers can really understand them.

You can subscribe to Trust magazine or view a digital copy at bailliegifford.com/trust

Baillie Gifford Shin Nippon on the Web

Up-to-date information about Baillie Gifford Shin Nippon, including a monthly commentary, recent portfolio information and performance figures, can be found on the Company's page of the Managers' website at shinnippon.co.uk.

You can also find a brief history of Baillie Gifford Shin Nippon, an explanation of the effects of gearing and a flexible performance reporting tool.



Shin Nippon web page at shinnippon.co.uk

Suggestions and questions

Any suggestions on how communications with shareholders can be improved are welcomed, so please contact the Baillie Gifford Client Relations Team and give them your suggestions. They will also be very happy to answer questions that you may have about Baillie Gifford Shin Nippon.

Client relations team contact details

You can contact the Baillie Gifford Client Relations Team by telephone, email or post:

Telephone: +44 (0)800 917 2112

Your call may be recorded for training or monitoring purposes.

Email: trustenquiries@bailliegifford.com

Website: bailliegifford.com

Baillie Gifford Client Relations Team
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

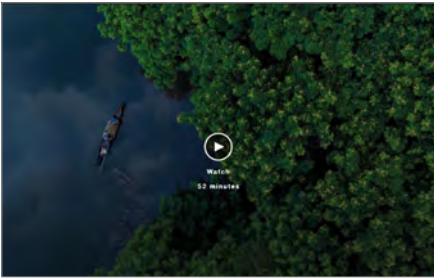
Please note that Baillie Gifford is not permitted to give financial advice. If you would like advice, please ask an authorised intermediary.



Japan’s secret superstars

by Joji Sakurai

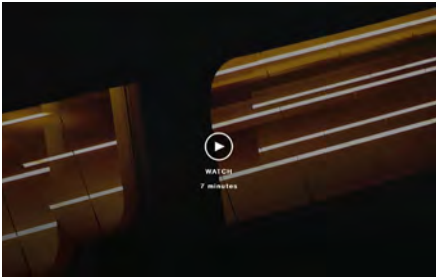
The new generation of companies that quietly captured key technology niches.



Japan’s hidden global champions

Citywire webinar

There’s more to Japan than manufacturing. Discover the innovation that excites Praveen Kumar.



Manager Insights: Shin Nippon

by Praveen Kumar

Praveen Kumar gives an update on Japanese smaller companies, touching on investment performance, changes to the portfolio and long-term outlook.



Third party data provider disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom.

No Provider has any obligation to update, modify or amend the data or to otherwise notify a recipient thereof in the event that any matter stated herein changes or subsequently becomes inaccurate.

Without limiting the foregoing, no Provider shall have any liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgements, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

MSCI Index data

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information 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. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction.

The MSCI information is provided on an 'as is' basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information collectively, the 'MSCI Parties' expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability or any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages ([msci.com](https://www.msci.com)).

Sustainable Finance Disclosure Regulation ('SFDR')

The EU Sustainable Finance Disclosure Regulation ('SFDR') does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As Shin Nippon is marketed in the EU by the AIFM, BG & Co Limited, via the National Private Placement Regime ('NPPR') the following disclosures have been provided to comply with the high-level requirements of SFDR.

The AIFM has adopted Baillie Gifford & Co's stewardship principles and guidelines as its policy on integration of sustainability risks in investment decisions.

Baillie Gifford & Co believes that a company cannot be financially sustainable in the long run if its approach to business is fundamentally out of line with changing societal expectations. It defines 'sustainability' as a deliberately broad concept which encapsulates a company's purpose, values, business model, culture, and operating practices.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build up an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. The likely impact on the return of the portfolio from

a potential or actual material decline in the value of investment due to the occurrence of an environmental, social or governance event or condition will vary and will depend on several factors including but not limited to the type, extent, complexity and duration of an event or condition, prevailing market conditions and existence of any mitigating factors.

Whilst consideration is given to sustainability matters, there are no restrictions on the investment universe of the Company, unless otherwise stated within its investment objective & policy. Baillie Gifford & Co can invest in any companies it believes could create beneficial long-term returns for investors. However, this might result in investments being made in companies that ultimately cause a negative outcome for the environment or society.

More detail on the Manager's approach to sustainability can be found in the stewardship principles and guidelines document, available publicly on the Baillie Gifford website [bailliegifford.com](https://www.bailliegifford.com) and by scanning the QR code below.

The underlying investments do not take into account the EU criteria for environmentally sustainable economic activities established under the EU Taxonomy Regulation.



Glossary of terms and Alternative Performance Measures ('APM')

An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The APMs noted below are commonly used measures within the investment trust industry and serve to improve comparability between investment trusts.

Total assets

This is the Company's definition of Adjusted Total Assets, being the total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

Net Asset Value

Also described as shareholders' funds, Net Asset Value ('NAV') is the value of total assets less liabilities (including borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue.

Net Asset Value (borrowings at book value)

Borrowings are valued at adjusted net issue proceeds. The Company's yen denominated loans are valued at their sterling equivalent and adjusted for their arrangement fees. The value of the borrowings on this basis is set out in note 11 on page 107.

Net Asset Value (borrowings at fair value) (APM)

This is a widely reported measure across the investment trust industry. Borrowings are valued at an estimate of their market worth. The Company's yen denominated fixed rate loans are fair valued using methodologies consistent with International Private Equity and Venture Capital Valuation ('IPEV') guidelines. The value of the borrowings on this basis is set out in note 18 on page 115. A reconciliation from NAV (with borrowings at book value) to NAV per ordinary share (with borrowings at fair value) is provided below.

	31 January 2025	31 January 2024
NAV per ordinary share (borrowings at book value)	139.4p	147.8p
Shareholders' funds (borrowings at book value)	£389,690,000	£457,792,000
Add: book value of borrowings	£83,676,000	£86,475,000
Less: fair value of borrowings	(£83,676,000)	(£86,445,000)
NAV (borrowings at fair value)	£389,690,000	£457,822,000
Shares in issue at year end	279,491,301	309,757,485
NAV per ordinary share (borrowings at fair value)	139.4p	147.8p

Premium/discount (APM)

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the NAV per share from the share price and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

	2025 NAV (book)	2025 NAV (fair)	2024 NAV (book)	2024 NAV (fair)
Closing NAV per share	139.4p	139.4p	147.8p	147.8p
Closing share price	119.0p	119.0p	126.2p	126.2p
Discount	(14.6%)	(14.6%)	(14.6%)	(14.6%)

The average discount/premium (APM) as disclosed on page 48 is calculated by taking an average of the daily discount/premium percentage using NAV (with borrowings at fair value) for the relevant periods.

Ongoing charges (APM)

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average NAV (with borrowings at fair value). The ongoing charges have been calculated on the basis prescribed by the Association of Investment Companies.

A reconciliation from the expenses detailed in the Income statement on page 96 is provided below:

		31 January 2025 £'000	31 January 2024 £'000
Investment management fee		£2,482,000	£2,878,000
Other administrative expenses		£714,000	£628,000
Total expenses	(a)	£3,196,000	£3,506,000
Average daily cum-income NAV (with borrowings at fair value)	(b)	£401,677,000	£485,043,000
Ongoing charges	(a) as a percentage of (b)	0.80%	0.72%

Total return (APM)

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

		2025 NAV (book)	2025 Share price	2024 NAV (book)	2024 Share price
Closing NAV per share/share price	(a)	139.4	119.0	147.8	126.2
Dividend adjustment factor*	(b)	1.0059	1.0076	1.0000	1.0000
Adjusted closing NAV per share/share price	(c = a x b)	140.2	119.9	147.8	126.2
Opening NAV per share/share price	(d)	147.8	126.2	173.7	158.8
Total return	(c ÷ d)-1	(5.1%)	(5.0%)	(14.9%)	(20.5%)

* The dividend adjustment factor is calculated on the assumption that the dividend of 0.80p (2024 - n/a) paid by the Company during the year was reinvested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

Gearing (APM)

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gearing represents borrowings at book less cash and cash equivalents expressed as a percentage of shareholders' funds.

Gross gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

		31 January 2025		31 January 2024	
		Gearing * £'000	Gross gearing † £'000	Gearing * £'000	Gross gearing † £'000
Borrowings	(a)	83,676	83,676	86,475	86,475
Cash and cash equivalents	(b)	20,797	-	3,596	-
Shareholders' funds	(c)	389,690	389,690	457,792	457,792
		16.1%	21.5%	18.1%	18.9%

* Gearing: ((a) - (b)) ÷ (c), expressed as a percentage.

† Gross gearing: (a) ÷ (c), expressed as a percentage.

Leverage

For the purposes of the Alternative Investment Fund Managers (AIFM) Regulations, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its NAV and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Active share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the quoted equity portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

Net liquid assets

Net liquid assets comprise current assets less current liabilities, excluding borrowings.

Share split

A share split (or stock split) is the process by which a company divides its existing shares into multiple shares. Although the number of shares outstanding increases, the total value of the shares remains the same with respect to the pre-split value.

Treasury shares

The Company has the authority to make market purchases of its ordinary shares for retention as treasury shares for future reissue, resale, transfer, or for cancellation. Treasury shares do not receive distributions and the Company is not entitled to exercise the voting rights attaching to them.

Private (unlisted) company

A private (unlisted) company means a company whose shares are not available to the general public for trading and not quoted on a stock exchange.

Turnover

Turnover is calculated as the minimum of purchases and sales in a month, divided by the average market value of the portfolio, summed to get rolling 12 month turnover data.

Company information

Directors

Chair: J Skinner
CEC Finn
AE Rotheroe
KJ Troup
Professor S Vijayakumar

Company details

shinnippon.co.uk
Company Registration No. SC093345
ISIN: GB00BFXYH242
Sedol: BFXYH24
Ticker: BGS
Legal Entity Identifier:
X5XCIPCJQCSUF8H1FU83

Further information

Client Relations Team

Baillie Gifford & Co
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

T: +44 (0)800 917 2112

trustenquiries@bailliegifford.com

Alternative Investment Fund Managers, Secretaries and Registered Office

Baillie Gifford & Co Limited

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T: +44 (0)131 275 2000

bailliegifford.com

Registrar

Computershare Investor Services PLC

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Bristol BS99 6ZZ

T: +44 (0)370 889 3223

Independent Auditor

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Edinburgh EH3 7PE

Depository

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London EC4V 4LA

Corporate Broker

Winterflood Securities Limited

Riverbank House
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London EC4R 3GA

shinnippon.co.uk

