

Interim
financial report

31 July 2024

Baillie Gifford Shin Nippon PLC

Managed by

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.

Comparative index

The index against which performance is compared is the MSCI Japan Small Cap Index (total return and in sterling terms).

Principal risks and uncertainties

The principal risks facing the Company are financial risk, private company (unlisted) investment risk, investment strategy risk, environmental, social and governance risk, discount risk, regulatory risk, custody and depositary risk, small company risk, operational risk, cyber security risk, leverage risk, political and associated financial risk and emerging risks. An explanation of these risks and how they are managed is set out on pages 51 to 55 of the Company's Annual Report and Financial Statements for the year to 31 January 2024 which is available on the Company's website: shinnippon.co.uk.

The principal risks and uncertainties have not changed since the date of that report.

Responsibility statement

We confirm that to the best of our knowledge:

- a. the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
- b. the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months, their impact on the Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year); and
- c. the Interim Financial Report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

On behalf of the Board
J Skinner
Chair
19 September 2024

Summary of unaudited results

	31 July 2024	31 January 2024 (audited)	% change
Shareholders' funds	£410.1m	£457.8m	
Net asset value per ordinary share (after deducting borrowings at fair value)*	137.8p	147.8p	(6.8)
Net asset value per ordinary share (after deducting borrowings at book value)	137.8p	147.8p	(6.8)
Share price	117.8p	126.2p	(6.7)
Comparative index†			6.0
Discount (borrowings at fair value)*	14.5%	14.6%	
Discount (borrowings at book value)*	14.5%	14.6%	
Active share*	96%	95%	

	Six months to 31 July 2024		Year to 31 January 2024	
Period's high and low	High	Low	High	Low
Net asset value per ordinary share (after deducting borrowings at fair value)*	150.4p	122.7p	177.7p	133.1p
Share price	126.8p	105.0p	163.8p	116.0p
Discount (borrowings at fair value)*	11.5%	18.6%	6.4%	14.6%

	Six months to 31 July 2024	Year to 31 January 2024
Total returns (%)*		
Net asset value per ordinary share (borrowings at fair value)	(6.2)	(14.9)
Share price	(6.0)	(20.5)
Comparative index (in sterling terms)†	6.0	6.3

Longer term total return performance at 31 July 2024*

	3 years	5 years	10 years
Net asset value per ordinary share#	(39.3%)	(24.2%)	122.4%
Share price	(49.3%)	(35.9%)	82.7%
Comparative index†	12.1%	19.8%	130.3%

Source: LSEG/Baillie Gifford and relevant underlying index providers. See disclaimer on page 24.

Notes

* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 21 to 23.

† The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms). See disclaimer on page 24.

After deducting borrowings at fair value. See Glossary of Terms and Alternative Performance Measures on pages 21 to 23.

Past performance is not a guide to future performance.

Interim management report

Japanese high growth small caps have endured a tough time since the end of the COVID-19 pandemic. A rotation into value and cyclical stocks has led to weak share prices across Shin Nippon's holdings despite strong operational performance. In previous reports, we have noted some of the macro headwinds responsible for this weakness and consistently maintained that these headwinds will eventually abate. Whilst these headwinds remain, there are signs that they are moderating.

In the six months to 31 July 2024, Shin Nippon's net asset value per share (total return in sterling terms, after deducting borrowings at fair value) fell by 6.2% compared to a 6.0% rise in the MSCI Japan Small Cap index. The share price (in total return terms) declined by 6.0% and finished the period at a 14.5% discount to the net asset value per share. During this period, 12,166,184 shares, equating to 3.9% of total shares in issue at the start of the period, were bought back and are currently held in treasury.

It might seem odd to express enthusiasm despite continued underperformance. Higher interest rates in the US and a weak yen have been two significant headwinds. In both cases, there are signs of a reversal. In the short term, this is already being reflected in Shin Nippon's absolute net asset value total return which turned positive in the second quarter of the current financial year, having been on a declining trend since the COVID-19 pandemic ended.

Apart from positive macro developments, there are also fundamental factors that make small caps compelling relative to large caps in Japan. Based on current consensus estimates for next year in sterling terms, the MSCI Japan Small Cap Index has a lower valuation, but faster sales growth compared to the TOPIX large cap index. Over five years to 31 July 2024, Shin Nippon has delivered earnings growth of 6.7% p.a. compared to 2.2% p.a. for the comparative index. Based on market estimates for the next three years, it is expected to grow sales and earnings at 11.0% and 12.4% p.a. compared to 4.4% and 8.0% p.a. respectively for the index.

We recently spent five weeks in Japan meeting senior executives at 61 companies. Of these, just over half are portfolio holdings. We noted several positives, and a few negatives, during this trip. Firstly, inbound tourism is absolutely booming despite fewer Chinese tourists than before. As of June this year, Japan had nearly 20 million tourists as against 25 million in 2023, and nearly 32 million in 2019. At the current rate, Japan remains on track to attract a record number of tourists this year. Inbound tourists tend to spend a lot on cosmetics so this should be a strong tailwind for portfolio holdings like MatsukiyoCocokara, a leading drugstore and cosmetics retailer. Secondly, many Japanese companies are raising prices. A combination of market dominance and a desire to improve profitability have emboldened management teams to exercise their pricing power. Portfolio holdings Bengo4.com, Japan's largest legal website, and Infomart, an online food ordering platform, have both raised prices in recent months. And finally, artificial intelligence-based software solutions are being used in various parts of Japan's economy. Portfolio holding Appier is an example of a company whose artificial intelligence-based software products are being adopted across a wide range of end markets, leading to rapid sales and profit growth. These trends are creating numerous growth opportunities for many of Shin Nippon's holdings.

There were also some areas of concern. Labour shortage was highlighted by numerous companies, especially those in labour-intensive sectors like construction and manufacturing, as the most serious headwind. These companies are struggling to replace an ageing workforce as these sectors remain unpopular with graduates and younger workers. However, this is providing growth opportunities for smaller companies like construction software provider and portfolio holding SpiderPlus which offers tools to reduce labour intensity and improve productivity. Another common concern was China.

Historically, China has been a massive growth market for many Japanese companies. However, a slowing economy, rising domestic competition, geopolitical tensions, and pricing pressure have all resulted in a souring of the “China dream” for many Japanese companies. Portfolio holdings like sensor maker Nippon Ceramic and EV battery component maker Kohoku Kogyo are reducing their exposure to China. The vast majority of Shin Nippon’s portfolio is invested in companies focussing mostly on the domestic Japanese market so the impact on the portfolio from weak Chinese demand should be muted.

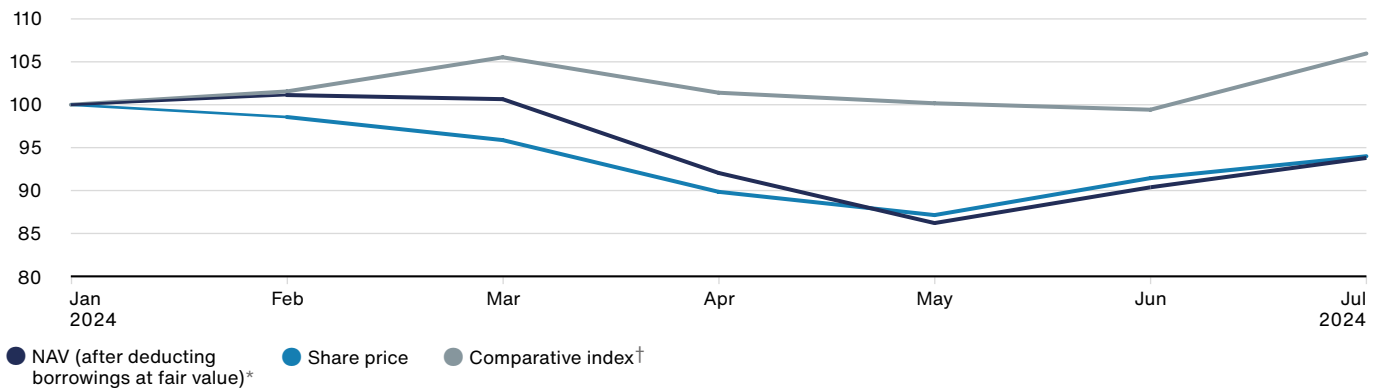
At the portfolio level, there were strong performances from a range of companies. Peptidream was among the top positive contributors. Its unique drug discovery platform, which significantly reduces the time and effort needed to discover new drug candidates, is gaining increasing traction with large global pharma companies. This is leading to rapid growth in high margin royalty payments for the company. Leading badminton brand Yonex was another strong performer. Despite a slowing Chinese economy, it is enjoying strong demand for its products in China where badminton as a sport continues to grow in popularity. Rising health-consciousness, broadening of its product range to cater for beginners and intermediate players, and strong performances by Yonex sponsored Chinese players at the recently concluded Paris Olympic and Paralympic Games have all contributed to a bump in sales and profits. Electric wire and cable maker SWCC Showa also performed well. The company is undergoing significant structural reforms. Management has divested low margin and unprofitable businesses and are focussing on growing their profitable segments. There is also strong demand for the company’s products from electric power utilities who are in the process of upgrading Japan’s ageing power infrastructure. All of this is resulting in strong sales growth and margin expansion for the company.

Many of our high growth internet and software holdings performed poorly despite strong operational progress. Online real estate company GA Technologies grew its sales by 36% and more than doubled its profits in the first half of its current fiscal year. Yet, its shares have remained weak due to market concerns regarding the impact on its business from rising interest rates in Japan. It was a similar story with artificial intelligence software company Appier. It provides tools that help companies improve end user experience, increase customer retention, and generate better returns on investment. In the first half of its current fiscal year, the company grew sales by 32% and profits expanded 5-fold. Management also announced a near 1% share buyback. Despite all this, the shares have remained weak due to the broader high growth small cap sell-off. Another weak performer was Litalico, Japan’s leading provider of training and employment services for disabled adults, and day care services for children with developmental disabilities. The business has suffered in the short-term due to changes in regulation that have resulted in lower sales. But management have repositioned the business to make up for lost revenue and remains confident of a strong recovery.

We have an unusually strong pipeline of new stock ideas for the portfolio which has meant that turnover has been higher than usual at 18%. Active share has remained high at 96%, implying only a 4% overlap with the comparative index. We purchased six new holdings and exited nine. 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.

Six months total return performance*

(figures plotted on a monthly basis and rebased to 100 at 31 January 2024)



* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 21 to 23.

† MSCI Japan Small Cap Index (total return and in sterling terms). See disclaimer on page 24.

Source: LSEG/Baillie Gifford and relevant underlying index providers. See disclaimer on page 24.

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.

Japan's largest hospice provider Amvis was also among the new purchases. Hospices are a new concept in Japan, a country where patients with terminal illnesses stay far longer at hospitals compared to other developed markets. This has resulted in extremely low turnover of patients at hospitals, which in turn has negatively impacted their sales generating ability. In recent years, hospices have emerged as a solution to this problem and Amvis has taken a leading role in providing the infrastructure to care for terminally ill patients, thereby alleviating a lot of the pressure on hospitals capacity.

Two of our holdings, premium camping equipment maker Snow Peak and staffing company Outsourcing, were acquired by private equity. Snow Peak has 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. Also sold was longstanding holding and Japan's leading online drug marketing company M3. 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 their advertising spend, squeezing margins in the process.

The past few years have been particularly challenging for Shin Nippon as our holdings have faced a perfect storm of macro headwinds. However, there are signs of change that should work in our favour. What makes us more excited is the fact that we start from a point where Shin Nippon's portfolio, by some measures, trades roughly in line with the benchmark but should achieve much faster growth. As the market and investors start acknowledging these fundamental attractions, it would not be surprising to see a strong and sustained turnaround in performance. Whilst we do not have a crystal ball to gaze into and determine when this will occur, we remain focussed on our fundamental task of identifying and investing in fast growing, dynamic, smaller companies in Japan.

The principal risks and uncertainties facing the Company are set out on the inside front cover of this report.

Valuing private companies

We aim to hold our private company investments at '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 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. For investment trusts, 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 group also monitors relevant market benchmarks 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.

List of investments as at 31 July 2024

Name	Business	Value £'000	% of total assets	Absolute performance * %
Lifenet Insurance	Online life insurance	15,969	3.2	29.8
Toyo Tanso	Electronics company	13,047	2.7	18.5
Anest Iwata	Manufactures compressors and painting machines	12,521	2.5	11.1
Nifco	Value-added plastic car parts	12,483	2.5	(2.8)
Peptidream	Drug discovery and development platform	11,984	2.4	105.3
JEOL	Manufacturer of scientific equipment	11,577	2.4	(13.1)
Yonex	Sporting goods	11,369	2.3	77.1
Katitas	Real estate services	10,560	2.1	(0.7)
Descente	Manufactures athletic clothing	10,409	2.1	12.9
Avex Group	Entertainment management and distribution	10,378	2.1	4.1
Nakanishi	Dental equipment	9,905	2.0	4.3
GA Technologies	Interactive media and services	9,881	2.0	(19.2)
Horiba	Manufacturer of measuring instruments	9,788	2.0	(2.8)
Megachips	Electronic components	9,535	1.9	(13.3)
Raksul	Internet based services	9,396	1.9	(5.3)
Wealthnavi	Digital robo wealth-management	9,050	1.9	(22.2)
Noritsu Koki	Holding company with interests in biotech and agricultural products	8,870	1.8	21.4
SWCC	Electric wire and cable manufacturer	8,784	1.8	44.9
Bengo4.com	Online legal consultation	8,747	1.8	(13.0)
Kohoku Kogyo	Manufacturer of under sea cable lead terminals	8,708	1.8	49.8
Top 20		212,961	43.2	
Sho-Bond	Infrastructure reconstruction	8,485	1.7	(14.4)
Tsugami	Manufacturer of automated machine tools	8,096	1.7	36.1
Nikkiso	Industrial pumps and medical equipment	7,960	1.6	7.2
Shoei	Manufactures motor cycle helmets	7,637	1.5	(2.7)
OSG	Manufactures machine tool equipment	7,552	1.5	0.3
Cosmos Pharmaceuticals	Drugstore chain	7,476	1.5	(18.2)
GMO Financial Gate	Face-to-face payment terminals and processing services	7,470	1.5	(37.6)
Litalico	Provides employment support and learning support services for people with disabilities	7,354	1.5	(45.2)
Optex	Infrared detection devices	7,307	1.5	(8.8)
Nittoku	Coil winding machine manufacturer	7,154	1.4	(3.7)

Name	Business	Value £'000	% of total assets	Absolute performance * %
Infomart	Internet platform for restaurant supplies	7,141	1.4	(22.6)
Gojo & Company Inc Class D Preferred ⑩	Diversified financial services	6,999	1.4	2.8
MatsukiyoCocokara	Retail company	6,988	1.4	(11.7)
Technopro	IT staffing	6,865	1.4	(17.6)
Kitz	Industrial valve manufacturer	6,532	1.3	(10.1)
Seria	Discount retailer	6,512	1.3	22.5
Vector	PR company	6,438	1.3	(18.8)
Torex Semiconductor	Semiconductor company	6,426	1.3	9.3
Appier Group	Software as a service company providing AI platforms	6,376	1.3	(32.4)
Cybozu	Develops and markets internet and intranet application software for businesses	6,202	1.3	(22.4)
SIIX	Out-sources overseas production	6,157	1.2	(21.2)
Anicom	Pet insurance provider	6,093	1.2	12.2†
I-Ne	Hair care range	6,008	1.2	(31.4)
Spiber ⑩	Textiles	5,945	1.2	(3.7)
Asahi Intecc	Specialist medical equipment	5,878	1.2	(18.5)
Oisix	Organic food website	5,866	1.2	(6.3)
Inforich	Software company	5,431	1.1	(9.9)†
Harmonic Drive Systems	Robotic components	5,392	1.1	10.7
SpiderPlus	Construction project management platform	5,330	1.1	(32.1)
Inter Action	Semiconductor equipment	4,878	1.0	19.7
Kumiai Chemical	Specialised agrochemicals manufacturer	4,861	1.0	(9.1)
JEPLAN ⑩	Chemical PET recycling	4,704	1.0	(12.4)
eGuarantee	Guarantees trade receivables	4,495	0.9	(25.7)
Gift	Food industry operator and distributor	4,129	0.8	(10.5)†
KH Neochem	Chemical manufacturer	4,037	0.8	(4.6)
oRo	Develops and provides enterprise planning software	3,919	0.8	(16.1)
Iriso Electronics	Specialist auto connectors	3,841	0.8	(13.5)
Kamakura Shinso	Information processing company	3,735	0.8	(31.9)
GMO Payment Gateway	Online payment processing	3,519	0.7	(9.5)
Global Security Experts	Cyber security company	3,398	0.7	13.9†
Nippon Ceramic	Electronic component manufacturer	3,386	0.7	(10.9)
Jade Group	Ecommerce services provider	3,286	0.7	(2.5)

Name	Business	Value £'000	% of total assets	Absolute performance * %
MonotaRO	Online business supplies	3,045	0.6	46.0
Shima Seiki	Machine industry company	3,004	0.6	9.4
Cellsource	Company engaged in regenerative medicine	2,960	0.6	20.3
Istyle	Beauty product review website	2,932	0.6	2.1
Amvis	Health care services	2,913	0.6	26.0†
Crowdworks	Crowd sourcing services	2,808	0.6	(24.4)
Weathernews	Weather information services	2,664	0.5	4.4
Soracom	Networking software provider	2,384	0.5	47.0†
Moneytree K.K. Class B Preferred ⑩	AI based fintech platform	1,252	0.3	(10.6)
Demae-Can	Online meal delivery service	1,234	0.3	(42.0)
Daikyonishikawa	Automobile part manufacturer	917	0.2	(8.1)
Total investments		486,332	98.6	
Net liquid assets#		7,096	1.4	
Total assets‡		493,428	100.0	
Bank loans		(83,302)	(16.9)	
Shareholders' funds		410,126	83.1	

* Absolute performance is in sterling terms and has been calculated on a total return basis over the period 1 February 2024 to 31 July 2024.

⑩ Private company (unlisted) investment.

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

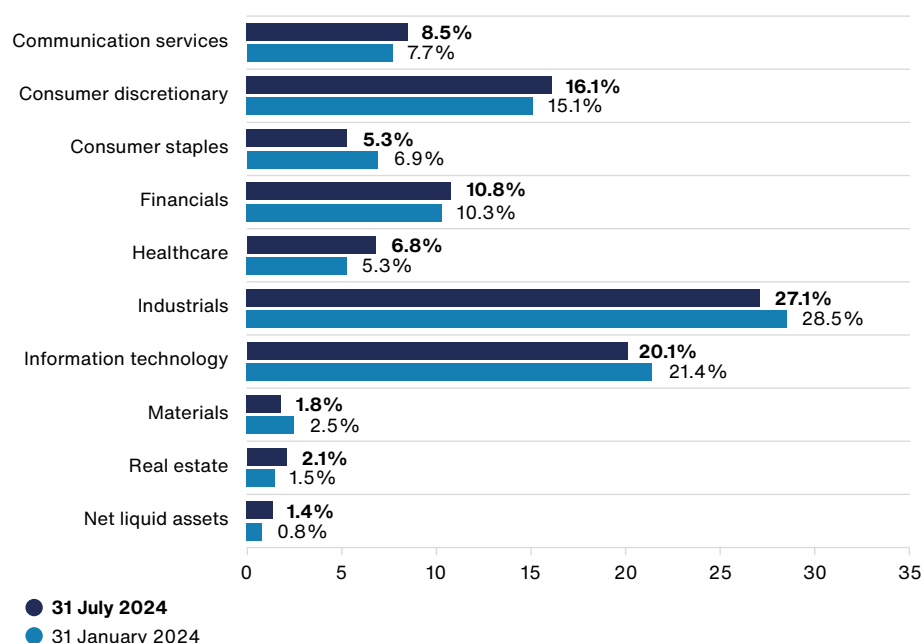
See Glossary of Terms and Alternative Performance Measures on pages 21 to 23.

‡ Total assets less current liabilities, before deduction of borrowings. See Glossary of Terms and Alternative Performance Measures on pages 21 to 23.

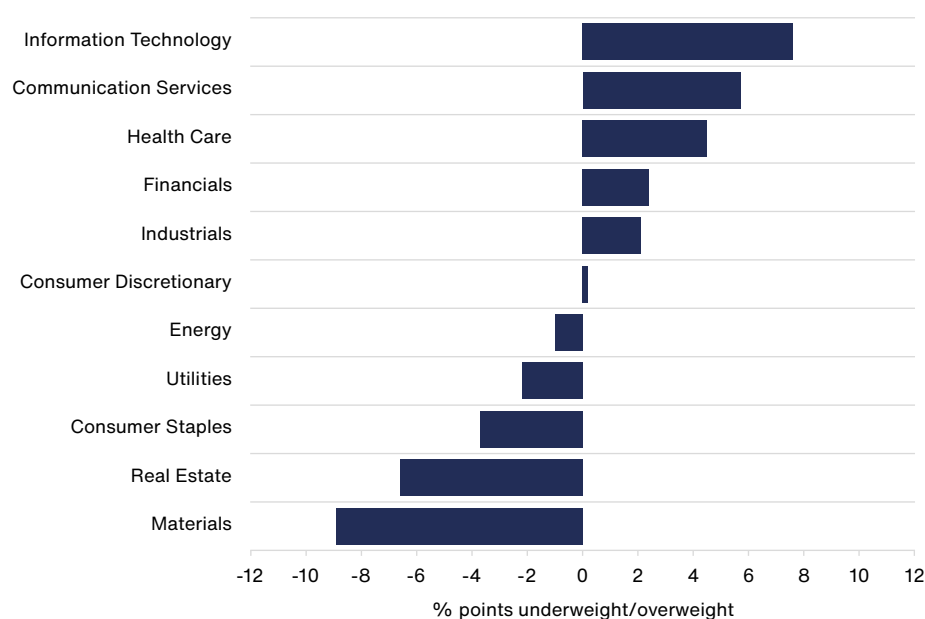
Source: Baillie Gifford/Revolution and relevant underlying data providers. See disclaimer on page 24.

Distribution and relative weightings of total assets

Distribution of total assets



Portfolio weightings relative to comparative index* at 31 July 2024



* MSCI Japan Small Cap Index (total return and in sterling terms). See disclaimer on page 24.

Income statement

(unaudited)

	Notes	For the six months to 31 July 2024			For the six months ended 31 July 2023			For the year ended 31 January 2024 (audited)		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net losses on investments	3	–	(34,665)	(34,665)	–	(65,599)	(65,599)	–	(97,913)	(97,913)
Currency gains		–	2,891	2,891	–	11,510	11,510	–	13,058	13,058
Income from investments		3,557	–	3,557	4,225	–	4,225	8,870	–	8,870
Investment management fee	4	(1,269)	–	(1,269)	(1,521)	–	(1,521)	(2,878)	–	(2,878)
Other administrative expenses		(308)	–	(308)	(310)	–	(310)	(628)	–	(628)
Net return before finance costs and taxation		1,980	(31,774)	(29,794)	2,394	(54,089)	(51,695)	5,364	(84,855)	(79,491)
Finance cost of borrowings		(709)	–	(709)	(713)	–	(713)	(1,533)	–	(1,533)
Net return on ordinary activities before taxation		1,271	(31,774)	(30,503)	1,681	(54,089)	(52,408)	3,831	(84,855)	(81,024)
Tax on ordinary activities	5	(356)	–	(356)	(422)	–	(422)	(887)	–	(887)
Net return on ordinary activities after taxation		915	(31,774)	(30,859)	1,259	(54,089)	(52,830)	2,944	(84,855)	(81,911)
Net return per ordinary share	6	0.30p	(10.51p)	(10.21p)	0.40p	(17.24p)	(16.84p)	0.94p	(27.13p)	(26.19p)
Note: Dividends paid and payable per share	7	–			–			0.80p		

The accompanying notes on pages 15 to 19 are an integral part of the Financial Statements.

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital 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.

Balance sheet (unaudited)

	Notes	At 31 July 2024 £'000	At 31 January 2024 (audited) £'000
Fixed assets			
Investments held at fair value through profit or loss	8	486,332	539,701
Current assets			
Debtors		5,682	3,521
Cash and cash equivalents		5,484	2,965
		11,166	6,486
Creditors			
Amounts falling due within one year	9	(87,372)	(88,395)
Net current liabilities		(76,206)	(81,909)
Total assets less current liabilities		410,126	457,792
Creditors			
Amounts falling due after more one year	9	–	–
Net assets		410,126	457,792
Capital and reserves			
Share capital		6,285	6,285
Share premium account		260,270	260,270
Capital redemption reserve		21,521	21,521
Capital reserve		120,955	167,114
Revenue reserve		1,095	2,602
Shareholders' funds		410,126	457,792
Net asset value per ordinary share (after deducting borrowings at book value)		137.8p	147.8p
Ordinary shares in issue	11	297,591,301	309,757,485

The accompanying notes on pages 15 to 19 are an integral part of the Financial Statements.

Statement of changes in equity (unaudited)

For the six months ended 31 July 2024

	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	-	-	-	(14,385)	-	(14,385)
Net return on ordinary activities after taxation	-	-	-	(31,774)	915	(30,859)
Equity dividends paid in the year	-	-	-	-	(2,422)	(2,422)
Shareholders' funds at 31 July 2024	6,285	260,270	21,521	120,955	1,095	410,126

For the six months ended 31 July 2023

	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	-	-	-	(1,604)	-	(1,604)
Net return on ordinary activities after taxation	-	-	-	(54,089)	1,259	(52,830)
Shareholders' funds at 31 July 2023	6,285	260,270	21,521	202,026	917	491,019

* The Capital reserve includes investment holding losses of £30,383,000 (31 July 2023 – losses of £6,551,000).

Condensed cash flow statement (unaudited)

	Six months to 31 July 2024 £'000	Six months to 31 July 2023 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation	(30,503)	(52,408)
Net losses on investments	34,665	65,599
Currency gains	(2,891)	(11,510)
Finance costs of borrowings	709	713
Overseas withholding tax	(472)	(557)
Changes in debtors and creditors	830	1,182
Cash from operations	2,338	3,019
Interest paid	(711)	(687)
Net cash inflow from operating activities	1,627	2,332
Net cash inflow/(outflow) from investing activities	17,992	(15,530)
Ordinary shares bought back into treasury and stamp duty thereon	(14,385)	(1,604)
Bank loans drawn down	–	12,313
Equity dividends paid	(2,422)	–
Net cash (outflow)/inflow from financing activities	(16,807)	10,709
Increase/(decrease) in cash and cash equivalents	2,812	(2,489)
Exchange movements	(293)	(802)
Cash and cash equivalents at start of period	2,965	6,946
Cash and cash equivalents at end of period*	5,484	3,655

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

Notes to the financial statements (unaudited)

01 Basis of accounting

The condensed Financial Statements for the six months to 31 July 2024 comprise the statements set out on pages 10 to 14 together with the related notes on pages 15 to 19. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the principles of the AIC's Statement of Recommended Practice issued in November 2014 and updated in July 2022 with consequential amendments and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Financial Statements for the six months to 31 July 2024 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 31 January 2024.

Going concern

The Directors have considered the nature of the Company's principal risks and uncertainties, as set out on the inside front cover, together with its current position, investment objective and policy, its assets and liabilities and projected income and expenditure. The Board has, in particular, considered the impact of heightened market volatility owing to macroeconomic and geopolitical concerns 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 which 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. 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 Directors considered it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

02 Financial information

The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 January 2024 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on these accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006.

03 Net losses on investments

	Six months to 31 July 2024 £'000	Six months to 31 July 2023 £'000	Year to 31 January 2024 £'000
(Losses)/gains on sales of investments	(28,129)	1,648	(13,370)
Changes in investment holding losses/gains	(6,536)	(67,247)	(84,543)
	(34,665)	(65,599)	(97,913)

04 Investment manager

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager (AIFM) and Company Secretary. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on six months' notice.

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, calculated and payable quarterly.

05 Tax

The Company suffers overseas withholding tax on its equity income, currently at the rate of 10%.

06 Net return per ordinary share

	Six months to 31 July 2024 £'000	Six months to 31 July 2023 £'000	Year to 31 January 2024 (audited) £'000
Revenue return	915	1,259	2,944
Capital return	(31,774)	(54,089)	(84,855)
Total return	(30,859)	(52,830)	(81,911)
Weighted average number of ordinary shares in issue	302,470,410	313,792,816	312,785,827

Net return per ordinary share is based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue during the period. There are no dilutive or potentially dilutive shares in issue.

07 Dividends

	Six months to 31 July 2024 £'000	Six months to 31 July 2023 £'000	Year to 31 January 2024 (audited) £'000
Amounts recognised as distributions in the period:			
Previous year's final dividend of 0.80p (31 January 2023 – nil), paid 30 May 2024	2,422	–	–
Amounts paid and payable in respect of the period:			
Final dividend (31 January 2024 – 0.80p)	–	–	2,422

No interim dividend has been declared in respect of the current period.

08 Fair value financial assets

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 Company's investments are financial assets held at fair value through profit or loss. In accordance with FRS 102, an analysis of the Company's financial asset investments based on the fair value hierarchy described above is shown below.

As at 31 July 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	467,432	–	–	467,432
Private company (unlisted) securities	–	–	18,900	18,900
Total financial asset investments	467,432	–	18,900	486,332
As at 31 January 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	519,949	–	–	519,949
Private company (unlisted) securities	–	–	19,752	19,752
Total financial asset investments	519,949	–	19,752	539,701

08 Fair value financial assets (continued)

There have been no transfers between levels of the fair value hierarchy during the period. The fair value of listed security investments is bid value, or in the case of certain recognised overseas exchanges, last traded prices. Listed investments are categorised as Level 1 if they are valued using unadjusted quoted prices for identical instruments in an active market and as Level 2 if they do not meet all these criteria but are, nonetheless, valued using market data. Private company (unlisted) 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 valuation policy applies methodologies 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:

- Multiples;
- Industry Valuation Benchmarks; and
- Available Market Prices.

Further information on the private company (unlisted) valuation process is provided on page 5.

The Company's holdings in private company (unlisted) investments are categorised as Level 3 as unobservable data is a significant input to their fair value measurements.

09 Financial liabilities

The amounts falling due within one year include bank loans of £83,302,000 (¥16.1 billion) outstanding under yen loan facilities repayable on 8 November 2024 and 18 December 2024 and the revolving credit facilities repayable on a three monthly basis (31 January 2024 – bank loans of £86,475,000 (¥16.1 billion)).

10 Fair value financial liabilities

The fair value of the bank loans at 31 July 2024 was £83,299,000 (31 January 2024 – £86,445,000).

11 Share capital

The Company has the authority to issue shares/sell treasury shares at a premium to net asset value as well as to buy back shares at a discount to net asset value. During the period under review, no shares were issued (31 July 2023 – nil) and 12,166,184 shares were bought back and held in treasury at a cost of £14,385,000 (31 July 2023 – £1,604,000).

12 Transaction costs

Transaction costs incurred on the purchase and sale of the investments are added to the purchase cost or deducted from the sale proceeds, as appropriate. During the period, transaction costs on purchases amounted to £26,000 (six months to 31 July 2023 – £23,000; year to 31 January 2024 – £39,000) and transaction costs on sales amounted to £24,000 (six months to 31 July 2023 – £14,000; year to 31 January 2024 – £31,000).

13 Related party transactions

There have been no transactions with related parties during the first six months of the current financial year that have materially affected the financial position or the performance of the Company during that period and there have been no changes in the related party transactions described in the last Annual Report and Financial Statements that could have had such an effect on the Company during that period.

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

Further shareholder information

How to invest

Baillie Gifford Shin Nippon's shares are traded on the London Stock Exchange. They can be bought through a stockbroker or by asking a professional adviser to do so. If you are interested in investing directly in Shin Nippon you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting shinnippon.co.uk.

Client relations team contact details

You can contact the Baillie Gifford Client Relations Team by telephone (your call may be recorded for training or monitoring purposes), email or post. See contact details in the 'Company information' section on page 25.

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.

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 will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

New 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/guidance/automatic-exchange-of-information-account-holders.

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).

Shareholders' funds and 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 9 on page 18.

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 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 10 on page 18.

	31 July 2024	31 January 2024
Net Asset Value per ordinary share (borrowings at book value)	137.8p	147.8p
Shareholders' funds (borrowings at book value)	£410,126,000	£457,792,000
Add: book value of borrowings	£83,302,000	£86,475,000
Less: fair value of borrowings	(£83,299,000)	(£86,445,000)
NAV (borrowings at fair value)	£410,129,000	£457,822,000
Shares in issue at period end	297,591,301	309,757,485
NAV per ordinary share (borrowings at fair value)	137.8p	147.8p

Net liquid assets

Net liquid assets comprise current assets less current liabilities, excluding borrowings.

Discount/premium (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 share price from the NAV per share 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.

	31 July 2024 NAV (book)	31 July 2024 NAV (fair)	31 January 2024 NAV (book)	31 January 2024 NAV (fair)
Closing NAV per share	137.8p	137.8p	147.8p	147.8p
Closing share price	117.8p	117.8p	126.2p	126.2p
Discount	14.5%	14.5%	14.6%	14.6%

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. In periods where no dividend is paid the total return equates to the capital return.

		As at 31 July 2024 NAV (fair)	As at 31 July 2024 Share price	As at 31 January 2024 NAV (fair)	As at 31 January 2024 Share price
Closing NAV per share/share price	(a)	137.8p	117.8p	147.8p	126.2p
Dividend adjustment factor*	(b)	1.0059	1.0070	–	–
Adjusted closing NAV per share/share price	(c) = (a) x (b)	138.6p	118.6p	147.8p	126.2p
Opening NAV per share/share price	(d)	147.8p	126.2p	173.7p	158.8p
Total return for the six months/year	(c) ÷ (d) -1	(6.2%)	(6.0%)	(14.9%)	(20.5%)

* The dividend adjustment factor is calculated on the assumption that the final dividend of 0.80p paid by the Company during the period in respect of the year to 31 January 2024 was reinvested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

Ongoing charges (APM)

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with debt at fair value).

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 July 2024		31 January 2024	
	Gearing *	Gross Gearing †	Gearing *	Gross Gearing †
	£'000	£'000	£'000	£'000
Borrowings (a)	83,302	83,302	86,475	86,475
Cash and cash equivalents (b)	5,484	–	3,596	–
Shareholders' funds (c)	410,126	410,126	457,792	457,792
	19.0%	20.3%	18.1%	18.9%

* Gearing: ((a) – (b)) ÷ (c), expressed as a percentage.

† Gross gearing: (a) ÷ (c), expressed as a percentage.

Leverage (APM)

For the purposes of the Alternative Investment Fund Managers ('AIFM') Directive, 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 net asset value 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 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.

Private (unlisted) company

A private (unlisted) company means a company whose shares are not available to the general public for trading and not listed on a stock exchange.

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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

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