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# *INTERVIEW WITH OUR JAPANESE RESEARCHERS*

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Donald Farquharson, head of the Japanese Equity Team at Baillie Gifford, speaks to Japan-based strategy researchers Akiko Hirai and Satoko Ishino.

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**Donald Farquharson (DF):** My name is Donald Farquharson, and I'm head of the Japanese Equity Team at Baillie Gifford. I'd like to introduce you today to our two researchers, Akiko Hirai and Satoko Ishino, based in Japan, and to explain a bit about their role.

We appointed our first researcher in Japan in 2008, and he continued to work with us up until the start of 2020. We described the position as research consultancy because the person works independently, the aim being to lend perspective, impartiality and, hopefully, some challenge too to our investment process.

The work our researchers do is quite wide-ranging, covering technological developments such as cloud migration, ecommerce and other digital pathways, to social challenges like gender diversity or helping us understand a company's culture better.

The work has proven invaluable, particularly in the past year, when the investment team has been unable to visit Japan in person. But we've been able to benefit from Akiko and Satoko's on-the-ground presence. We assign work to them on a continuous basis, usually because of something we've read or found unclear in our own research. And we catch up by video call at the start of each month.

So, now, let me introduce them to you, beginning with Akiko Hirai. Akiko, can you tell me a bit about yourself, your academic and work background, and how you came, ultimately, to work with Baillie Gifford?

**Akiko Hirai (AH):** Thank you very much Donald for introducing me. Hi, I am Akiko Hirai, a researcher based in Tokyo. For my background, I started my career in a Japanese investment bank right after I graduated university in Tokyo. My first job was institutional sales of Japanese equity. And there I was inspired by some fund managers who were my clients. And this moved to a British asset management company in Tokyo in 1997.

And there, during that time, I covered many different Japanese industries, including consumer electronics, telecommunication, trading firms and steel makers, mainly large cap Japanese companies. And I worked as analyst for almost 20 years in several asset management companies, which I liked very much. But



having worked as analyst for such a long time, I thought I want something different in the latter half of my life.

Then I enrolled in a business school here in 2018 in order to learn something new with young people. It was quite an interesting experience to have young classmates and I learnt a lot there. And I got an MBA there in March last year, and several months later, I started working with Baillie Gifford.

**DF:** Thank you, Akiko. And Satoko, I guess, the same question. Can you say a little bit about your academic and work background and how you ended up with Baillie Gifford?

**Satoko Ishino (SI):** Hi, my name is Satoko Ishino. I graduated from a Japanese University in 1992, and after graduation, I joined a European asset management company. That is when I started my career in investment research. And I mainly covered small and medium cap companies for almost 20 years. And I really enjoyed meeting with the new management, who tried to grow their companies from the startup place. That is how I really liked my job.

And after working as an analyst for more than 20 years, I spent a few years studying culinary arts in New York because I love cooking. Then, after I came back to Japan, I joined Baillie Gifford where I found my work very enjoyable.

**DF:** Thank you. And so, I think you can see they're two people who've worked a lot in investment research, but have also followed some quite different pathways and built different networks, which are very valuable to us right now.

And, Akiko, I'd be interested to get your thoughts about how you found working with Baillie Gifford over the past year. What you found different, and what you found most enjoyable about the role?

**AH:** Working with Baillie Gifford is quite inspiring. I'm learning new things every time I write a report. And one of the differences is Baillie Gifford investment style. I knew Baillie Gifford is a long-term growth investment management house, but actually it is more long-term growth than I thought. So, compared to the general asset analyst, who usually do the three-year earnings model or variations, Baillie Gifford focuses more on how Japanese society will change in the future, or what's the company's source of edge, and whether it is sustainable, or the management can achieve that goal in the future.

So, in order to do that, we need to look into many different things like the management background and the company's organisational culture. And, of course, the global trends of industry and how the government or authorities strategize on certain issues. So, this is quite challenging, but at the same time, it needs lots of imagination and critical thinking. So, that's one of the interesting parts.

And also, of course, because Baillie Gifford is long-term growth, its focus is more to the newer companies, which is also new to me. Because I was basically watching the combination of large cap companies. And meeting with the team is also quite inspiring. Through the discussion, I can get the new insights there, which is, again, useful for the next research. So that is the way of research, and also the discussion is quite different from what I was doing in the past.

**DF:** So, as you say, Akiko, I think what we're trying to do is to set particular questions that we would like answered, but around that, we give you a lot of freedom to explore different routes and your own network that you've built up over the years.

**AH:** Yes, that's right. That's another point, quite different. We do the research based on the theme given by the Edinburgh team, but how we conduct the research is quite up to us. So, we have lots of freedom



how to interview companies, and I can also use my own network here. And how we construct the research report is also free. So, yes, that's also quite a new thing for me, and interesting.

**DF:** Satoko, now, I wonder if you could say a little bit about, maybe, a particular piece of work that you've done that you found most enjoyable or most rewarding.

**SI:** Yes, I have written a report on cloud migration, which was a long report. And in the process of writing my report, there was active engagement with the members of the team, which I found very useful. And when I presented my research in the meeting, there was an active discussion with the team.

And following the meeting, I had opportunities to write other cloud-related reports including e-signature, e-business card, e-invoicing, e-procurement. And it was good because we could contact new companies which has potential growth prospects over the long run, and that was an interesting report and interesting discussion with the team.

**DF:** And I have to say Satoko is someone we've found very valuable as a lot of them are very new companies to us. And, so, it's helped our understanding, and it's helped deepen our knowledge in the industry and in specific companies.

Akiko, it's been an unusual period, the last year, 2020, to say the least. Can you say how difficult has it been for you to do your work?

**AH:** Yes, it's been a difficult time for everybody to work. In terms of research, however, I have very few problems to contact research fortunately. Most companies can now prepare to have a video or telephone meeting. So, I think I can rather more easily or quickly access people or companies since I started working with Baillie Gifford.

I think that all the meetings, since I started this job, are held online so far. I think, of course, it'll be better to go to the place and see the people physically. And that has the products and the feel of intimacy which is sometimes very important. But at this point, at the moment, we have to accept the situation and try our best.

And also, we haven't met you and your team since I joined. So, I really wish we could meet in the near future. But, meanwhile, I feel quite in touch with the team over the last six months I started working with you because we have our regular meetings, and also very frequently communicate by email or group chat. So, that's really, I'm thankful with the situation and thankful with the technology.

**DF:** Yes, I think we've all benefited from the technology and the ability to keep in touch regularly, but it doesn't supplant the benefit that we get from meeting in person. And, Satoko, I wonder, also, if you can just say a little bit about how things are in Tokyo right now, because obviously we've been unable to travel to Japan. So, it'd be interesting just to hear what things are like in Japan at the moment.

**SI:** Yes, as you may know, Japanese people worked for long hours by taking very crowded train every day. However, after the pandemic, many people can work from home. Therefore, we have more time to spend with our families, and also, we don't have to take such a crowded train anymore. So, I think new normal working environment is good for the working style of Japanese people.

**DF:** So, I think there are a lot of potentially big changes that we will have to continue to explore within our investment research. Akiko, Satoko, thank you very much indeed for your time today.

**AH:** Thank you very much.



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