THE BAILLIE GIFFORD JAPAN TRUST PLC

Annual Report and Financial Statements
31 August 2021

Contents

Investor Disclosure Document

The UK Alternative Investment Fund Managers Regulations requires certain information to be made available to investors prior to their investment in the Company. The Company's Investor Disclosure Document is available for viewing at **japantrustplc.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 UK Listing Authority. They are not authorised or regulated by the Financial Conduct Authority (FCA).

The Baillie Gifford Japan Trust 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 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 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 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your ordinary shares in The Baillie Gifford Japan Trust PLC, please forward this document, together with any 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.

Illustration:
Hakuro-jō (White Egret) Castle at Himeji.

The Baillie Gifford Japan Trust PLC aims to achieve long term capital growth principally through investment in medium to smaller sized Japanese companies which are believed to have above average prospects for growth.

Financial Highlights – Year to 31 August 2021

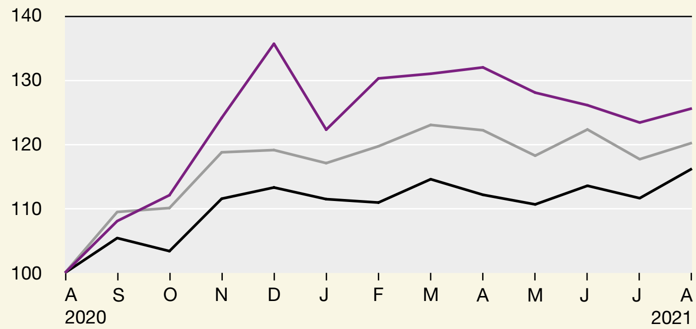
NAV +20.9% **Share Price +25.7%** **Benchmark* +16.3%**

All figures total return†. Comparatives can be found on page 4.

NAV, Share Price and Benchmark Total Return

(figures rebased to 100 at 31 August 2020)

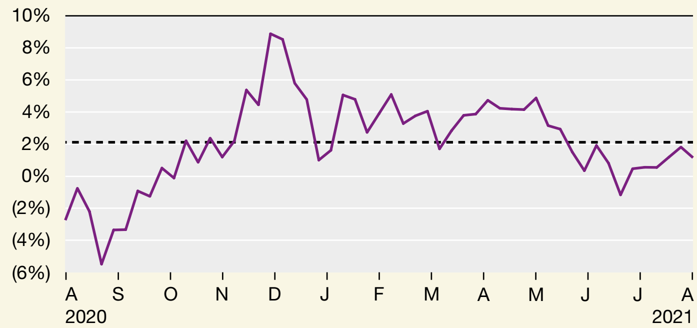
Share price
NAV†#
Benchmark*



Premium/(discount) to Net Asset Value

(figures plotted on a weekly basis)

Premium/(discount)†#
Average premium†#



* The benchmark is the TOPIX total return (in sterling terms).
† Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 66 and 67.
# Net asset value per share and premium/(discount) are shown after deducting borrowings at fair value.
Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 65.

Past performance is not a guide to future performance.

Strategic Report

The Strategic Report, which includes pages 2 to 25 and incorporates the Chairman's Statement has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

Last year, I reported on an extraordinary year. The news flow was dramatic, speculation about the effects of Covid on the economy was causing enormous volatility but at least the equity market, which had plunged, continued its powerful resurgence which had begun in the spring.

This year has been characterised by a continuing strong recovery in share prices with normal concerns such as earnings trends being swept aside. By the end of the last financial year our benchmark (the TOPIX total return in sterling terms) had recovered most of its lost ground. The rally continued into the beginning of this calendar year before peaking in early 2021. Since then, the market has traded within a band as investors wait for greater clarity.

Performance

In the year to 31 August, after deducting borrowings at fair value, the net asset value total return was 20.9%. The discount, which started the year at 2.7%, moved to a premium of 1.1% leading to a share price total return of 25.7% (please see page 66 for total return calculations). The Benchmark total return was 16.3% over the same period.

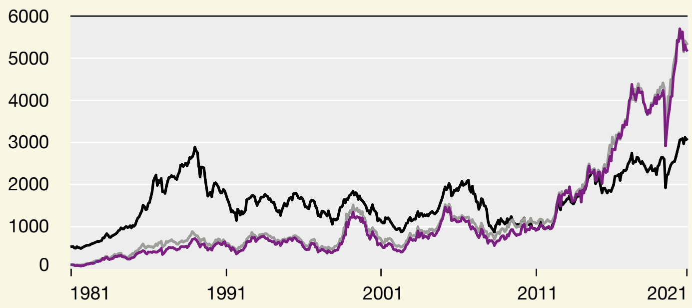
I am not sure that there is much merit in relaying more than the bare facts about a market that fell and rebounded just as sharply. Instead, I thought I should write about other outcomes, which, I am glad to say, were favourable for shareholders.

First, I want to show you the returns over longer periods shown in the following table.

Compound annual returns to end August	5 years %	10 years %
Net asset value total return (borrowings at fair value)	13.7	16.8
Share price total return	14.7	18.2
Topix total return	10.3	11.2

After a static six months, it's instructive to reflect on longer term performance which has beaten the index and inflation handsomely.

The Trust is enjoying its 40th Birthday this year and I thought it would be appropriate to show the performance over the period it's been in existence.



Source: Refinitiv/Baillie Gifford.
Share price total return
NAV (par) total return
TOPIX total return in sterling terms

I'd like to offer my sincere thanks to all the people who have helped build this tremendous record.

Gearing and borrowing

The board believes that borrowing will enhance returns to investors over medium and long term periods. Borrowing normally sits at a reasonable level and will fluctuate modestly, driven by portfolio transactions. But last year was very unusual. We had no idea what to expect and decided that the normal level of gearing was not appropriate. A year ago, gearing was reduced to just over 4%. By the end of August, our confidence had grown enough to allow us to raise gearing to 10%, a more normal, but not high level, reflecting a continuing high degree of uncertainty.

Portfolio Revenue and Dividend

When I started investing in Japan over 40 years ago, it was all about capital growth. There was very little dividend income and certainly not enough to encourage investment in the stock market. It is therefore pleasing to be able to report that gross revenues rose from £15,337,000 last year to £17,224,000 in the twelve months to August 2021. That's an increase of 12.3%. Given that this was the outcome in a year of a battered economy, this is encouraging.

Since inception of the Trust 15 December 1981 to 31 August 2021

	Share price %	Share price total return %	NAV (fair) %	NAV total return %	TOPIX %	TOPIX total return %
Performance	5,110.0	5,161.6	5,136.3	5,025.7	347.6	592.6
Annualised	10.6	10.6	10.6	10.6	3.2	4.7

Source: Refinitiv.

Past performance is not a guide to future performance.

Expenses rose by 23.1% during the year from £4,970,000 to £6,118,000. This appears high, but most of the increase was in the fee paid to your Managers reflecting the sharp recovery in the portfolio's value.

The Trust's aim is to achieve long term capital growth. However, in order to qualify as an investment trust, the Company is not permitted to retain more than 15% of eligible investment income arising during any accounting period. Accordingly, the Board's policy is to pay a single yearly dividend to satisfy this statutory requirement.

With buoyant revenues in this period, I am pleased to tell you that the Board is recommending a dividend of 6.00p per share, an increase of 33.3% on last year's 4.50p. This will be put to shareholders for approval at the Annual General Meeting to be held on 16 December 2021 and, if approved, will be paid on 21 December to shareholders on the register at close of business on 12 November 2021. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the company. For those shareholders electing to receive the DRIP, the last date for receipt of election is 30 November 2021.

With more companies actively wanting to raise their dividends, I hope we will have more good news to report next year.

Share Capital and Discount Management

Last year I wrote about the advantages Investment Trusts enjoy over open ended funds. I also wrote that the Board had actively bought back shares when the opportunity arose in March 2020. I know from speaking to shareholders that they expect us to exercise our right to buy shares back and I was pleased to have an opportunity to do just that. This year, we issued 2,470,000 shares raising £26,500,000 to invest. At year end, your Trust was at a 1.1% premium to its NAV, remaining well ahead of the sector average which was at a discount of 4.4%.

Your Board believes it is important that the Company retains the power to buy back equity during the year and so, at the Annual General Meeting, is seeking to renew this facility. The Company also has authority to issue new shares and to reissue any shares held in treasury for cash on a non pre-emptive basis. Shares are issued/reissued only at a premium to net asset value, thereby enhancing net asset value per share for existing shareholders. The Directors are, once again, seeking 10% share issuance authority at the Annual General Meeting and we would continue to issue shares only when at a premium to net asset value. This authority would expire at the conclusion of the Annual General Meeting in 2022.

Annual General Meeting

The Annual General Meeting of the Company is scheduled to be held at Baillie Gifford's offices in Edinburgh at 12.30pm on 16 December 2021. I do sincerely hope this will be possible, but Covid-19 may not oblige. The Board will monitor developments and may be unable to allow shareholders to attend in person. Accordingly, the Board encourages all shareholders to exercise their votes at the AGM by completing and submitting a form of proxy. We would encourage shareholders to monitor the Company's website at **japantrustplc.co.uk** where any updates will be posted and market announcements will also be made, as appropriate. Should shareholders have questions for the Board or the Managers or any queries as to how to vote, they are welcome as always to submit them by email to **trustenquiries@bailliegifford.com** or to call 0800 917 2112.

Past performance is not a guide to future performance.

Information on the resolutions can be found on pages 58 and 59 of the Annual Report and Financial Statements. The Directors consider that all resolutions proposed are in the best interests of shareholders and the Company as a whole and recommend that shareholders vote in their favour.

In particular, shareholders have the right to vote annually on whether the Company should continue in business and will have the opportunity to do so again this year. Last year, the Company again received support for its continuation with 99.99% of votes cast in favour. Your Directors believe there are attractive opportunities in selected, well-run Japanese companies benefiting the long-term favourable outlook for the Japan Trust. To that end, my fellow Directors and I intend, where possible, to vote our own shareholdings in favour of the resolution and hope that all shareholders will feel disposed to do likewise.

Board

Martin Paling will retire after the AGM in December. With his great investment experience, strong sense of humour and love of challenge, we shall miss him very much. David Kidd will replace Martin as the Company's Senior Independent Director. After a thorough search, we identified an excellent replacement in the form of Simon (Sam) Davis. Sam has a degree in Japanese Studies from Trinity College, Oxford and after 12 years with Deutsche Group in London and Tokyo, worked for Putnam Investments in Boston and London.

Outlook

It's a relief to have ended the year with the share price fully recovered and growing revenues, suggesting dividends will continue to grow. However, the future cannot be predicted and we gaze out onto a sea of uncertainties. At the same time as the US seems to withdraw from its global commitments and China becomes more assertive, we also face growing alarm about the need to manage the environment a lot more carefully. Japan was not as well prepared to work from home as many parts of the rest of the world and so must invest accordingly. Her huge car industry needs to embrace the switch to electric cars and labour shortages will mean a global rush to invest in productivity. Japan has lost its dominance in semiconductor technology and manufacturing which needs to be addressed. The pandemic will encourage supply chains to be made a great deal more robust. On the political front, former foreign minister Fumio Kishida replaced Yoshihide Suga in October as President of the ruling Liberal Democratic Party and Prime Minister. Representing stability and continuity, Kishida is expected to follow a path of predictable, consensus driven and incremental change in economic and financial policy.

Other people would surely have identified many other changes in matters that we have become accustomed to. Change is good as it provides lots of investment opportunities and the Board is confident that Baillie Gifford will continue to exploit these to your advantage.

Let me close by congratulating Baillie Gifford on a very successful forty year period of investment.

Keith Falconer
Chairman
13 October 2021

One Year Summary

The following information illustrates how the Company has performed over the year to 31 August 2021. The net asset value total return was 20.9%, outperforming the Company's benchmark total return which was 16.3%.

	31 August 2021	31 August 2020	% change
Total assets (before deduction of bank loans)	£1,097.6m	£923.8m	
Bank loans	£142.2m	£151.4m	
Shareholders' funds	£955.4m	£772.4m	
Net asset value per share#†	1,010.4p	839.8p	20.3
Share price	1,022.0p	817.0p	25.1
Premium/(Discount)#†	1.1%	(2.7%)	
Revenue earnings per ordinary share	7.89p	6.56p	
Dividend payable in respect of the financial year	6.00p	4.50p	33.3
Ongoing charges#	0.66%	0.68%	
Yen/sterling exchange rate	151.2	142.0	(6.5)
Active share#	81%	82%	

Year to 31 August	2021	2020
Total returns#		
Net asset value per share†	20.9%	6.8%
Share price	25.7%	3.7%
TOPIX (in sterling terms)*	16.3%	(0.1%)

Year to 31 August	2021	2021	2020	2020
Year's high and low	**High**	**Low**	**High**	**Low**
Net asset value per share†	1,081.3p	841.8p	860.7p	579.8p
Share price	1,132.0p	823.0p	848.0p	532.0p
Premium/(discount)†	5.5%	(10.3%)	1.8%	(12.4%)

	31 August 2021	31 August 2020
Net return per ordinary share		
Revenue	7.89p	6.56p
Capital	164.97p	44.38p
Total	172.86p	**50.94p**

* Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 65.
# Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 66 and 67.
† Net asset value per share and Premium/(discount) are shown above after deducting borrowings at fair value.

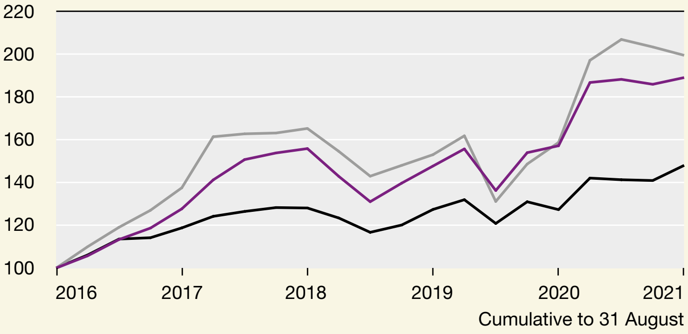
Five Year Summary

Net asset value total return has increased by an average of 13.7% in each of the last 5 years, outperforming the Company's benchmark which has increased by 10.3% per annum.

The following charts indicate how an investment in Baillie Gifford Japan has performed relative to its benchmark and its net asset value over the five year period to 31 August 2021.

5 Year Total Return Performance

(figures rebased to 100 at 31 August 2016)



Source: Refinitiv/Baillie Gifford.

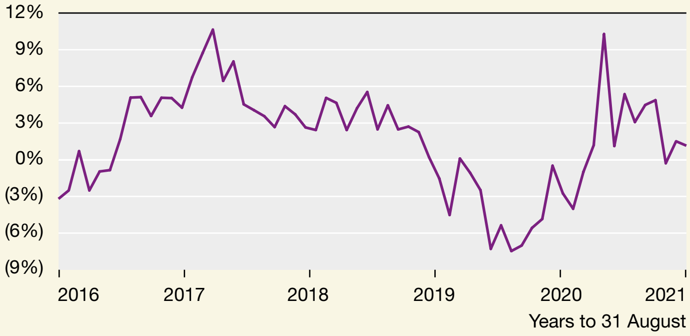
NAV total return (at fair)

Share price total return

Benchmark total return*

Premium/(Discount) to Net Asset Value

(figures plotted on a monthly basis)

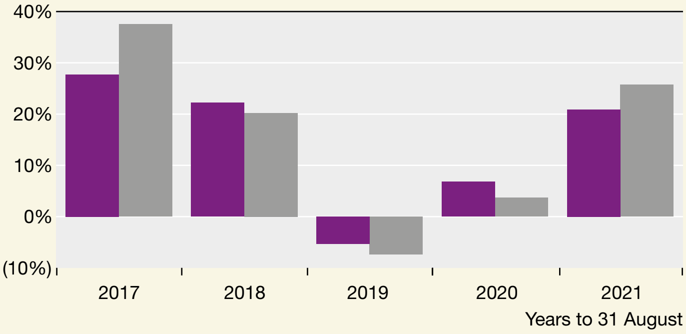


Source: Refinitiv/Baillie Gifford.

Baillie Gifford Japan premium/(discount)

The premium/(discount) is the difference between Baillie Gifford Japan's quoted share price and its underlying net asset value (at fair).

Annual Change in Net Asset Value Total Return and Share Price Total Return

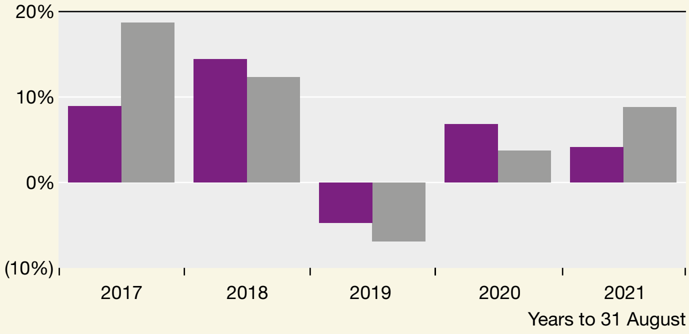


Source: Refinitiv/Baillie Gifford.

NAV total return (at fair)

Share price total return

Annual Change in Net Asset Value Total Return and Share Price Total Return relative to the Benchmark*



Source: Refinitiv/Baillie Gifford.

NAV total return (at fair) relative to the benchmark

Share price total return relative to the benchmark

* The benchmark is the TOPIX total return (in sterling terms). See disclaimer on page 65.

For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 66 and 67.

Past performance is not a guide to future performance.

Ten Year Record

The following information illustrates how the Company has performed over the last 10 years to 31 August 2021. Net asset value total return has increased by an average of 16.8% in each of the last 10 years, outperforming the Company's benchmark which has increased by 11.2% per annum.

Capital

At 31 August	Total assets £'000	Bank loans £'000	Shareholders' funds £'000	Net asset value per ordinary share (fair) * p	Net asset value per ordinary share (par) * p	Share price p	Premium/ (discount) † (fair) %
2011	162,218	28,511	133,707	215.2	215.9	192.4	(10.6)
2012	163,131	28,544	134,587	216.9	217.3	197.0	(9.2)
2013	245,954	35,579	210,375	323.0	323.5	317.9	(1.6)
2014	290,447	41,733	248,714	353.3	358.7	352.3	(0.3)
2015	377,879	54,726	323,153	425.4	430.2	444.8	4.6
2016	500,291	75,294	424,997	534.6	539.8	517.5	(3.2)
2017	657,721	82,500	575,221	682.4	685.8	711.5	4.3
2018	870,590	114,486	756,104	834.0	835.8	855.0	2.5
2019	859,746	127,641	732,105	789.3	792.1	791.0	0.2
2020	923,809	151,420	772,389	839.8	840.8	817.0	(2.7)
2021	**1,097,602**	**142,200**	**955,402**	**1,010.4**	**1,012.8**	**1,022.0**	**1.1**

* Net asset value per ordinary share has been calculated after deducting long term borrowings at either fair or par value. See note 15, page 53 and Glossary of Terms and Alternative Performance Measures on page 66.

† Premium/(discount) is the difference between the Company's quoted share price and its underlying net asset value (with borrowings at either par value or fair value) expressed as a percentage of net asset value. See Glossary of Terms and Alternative Performance Measures on page 66.

Revenue

Year to 31 August	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary share p	Dividend paid and proposed per ordinary share p	Ongoing charges # %
2011	2,664	238	0.38	–	1.27
2012	3,251	777	1.25	–	1.20
2013	3,177	141	0.22	–	1.13
2014	3,746	322	0.47	–	0.90
2015	4,316	199	0.28	–	0.90
2016	7,090	1,823	2.35	–	0.88
2017	8,480	2,235	2.80	–	0.78
2018	10,874	2,234	2.54	0.60	0.73
2019	13,498	4,755	5.18	3.50	0.70
2020	15,337	6,047	6.56	4.50	0.68
2021	**17,224**	**7,336**	**7.89**	**6.00**	**0.66**

Gearing Ratios

Year to 31 August	Gearing ‡ %	Potential gearing ¶ %
2011	18	21
2012	19	21
2013	16	17
2014	15	17
2015	14	17
2016	17	18
2017	13	14
2018	11	15
2019	12	17
2020	4	20
2021	**10**	**15**

Total operating costs divided by average net asset value (with debt at fair value). See Glossary of Terms and Alternative Performance Measures on page 67.

‡ Total borrowings less all cash and cash equivalents expressed as a percentage of shareholders' funds. See Glossary of Terms and Alternative Performance Measures on page 67.

¶ Total borrowings expressed as a percentage of shareholders' funds. See Glossary of Terms and Alternative Performance Measures on page 67.

Cumulative Performance (taking 2011 as 100)

At 31 August	Net asset value per share total return (fair)	Share price total return	Benchmark total return	Net asset value per share total return (fair) % change	Share price total return % change	Benchmark total return % change §^
2011	100	100	100			
2012	101	102	97	0.8	2.4	(2.7)
2013	150	165	123	48.9	61.4	26.7
2014	164	183	128	9.4	10.8	3.7
2015	198	231	145	20.4	26.3	13.4
2016	248	269	176	25.7	16.3	21.5
2017	317	370	209	27.6	37.5	18.8
2018	388	444	226	22.2	20.2	7.8
2019	367	411	224	(5.3)	(7.4)	(0.5)
2020	392	427	224	6.8	3.7	(0.1)
2021	472	534	261	20.9	25.7	16.3
Compound annual returns						
5 year	13.7%	14.7%	10.3%			
10 year	16.8%	18.2%	11.2%			

§ The benchmark is the TOPIX total return (in sterling terms).

^ Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 65.

Past performance is not a guide to future performance.

Business Review

Business Model

Business and Status

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 the Company's shares is determined, like other listed shares, by supply and demand.

The Company has obtained approval as an investment trust from 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.

Objective and Policy

The Baillie Gifford Japan Trust aims to achieve long term capital growth principally through investment in medium to smaller sized Japanese companies which are believed to have above average prospects for growth, although it invests in larger companies when considered appropriate.

The Company's holdings are generally listed in Japan although the portfolio can also include companies listed elsewhere whose business is predominantly in Japan as well as unlisted companies. From time to time, fixed interest holdings, or non equity investments, may be held.

The portfolio is constructed through the identification of individual companies which offer long term growth potential, typically over a three to five year horizon. The portfolio is actively managed and does not seek to track the benchmark; 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 70 holdings. Although sector concentration and the thematic characteristics of the portfolio are carefully monitored, there are no maximum limits to deviation from benchmark, stock or sector weights except as imposed by banking covenants on borrowings.

On acquisition, no holding shall exceed 5% of the portfolio at the time of purchase and any holding that as a result of good performance exceeds 5% of the portfolio is subject to particular scrutiny. A holding greater than 5% will be retained only if the Managers continue to be convinced of the merits of the investment case.

On acquisition, no more than 15% of the Company's total assets will be invested in other UK listed investment companies.

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 and has a maximum equity gearing level of 30% of shareholders' funds.

Borrowings are invested in securities when it is considered that investment grounds merit the Company taking a geared position. Gearing levels, and the extent of equity gearing, are discussed by the Board and Managers at every Board meeting.

A detailed analysis of the Company's Investment Portfolio is set out on pages 19 to 25 and in the Managers' Report and Review of Investments on pages 12 to 16.

Performance

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives.

Key Performance Indicators

The key performance indicators (KPIs) used to measure the progress and performance of the Company over time are established industry measures and are as follows:

- the movement in net asset value total return per ordinary share;
- the movement in the share price total return;
- the premium/discount of the share price to the net asset value per share; and
- the ongoing charges.

An explanation of these measures can be found in the Glossary of Terms and Alternative Measures on pages 66 and 67.

The one, five and ten year records for the KPIs can be found on pages 4 to 6.

In addition to the above, the Board considers peer group and benchmark comparative performance.

Borrowings

Total borrowings at 31 August 2021 were ¥21.5 billion and are detailed in notes 11 and 12 on page 52.

Currency Hedging

It is extremely difficult to predict currency movements and currencies can appear cheap or expensive for long periods of time. The Board remains of the view that it will not engage in currency hedging.

Principal and Emerging Risks

As explained on pages 31 and 32 there is an ongoing 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, solvency or liquidity. Baillie Gifford's Business Risk Department provides regular updates covering the Company's principal and emerging risks. There have been no significant changes to the principal risks during the year. A description of these risks and how they are being managed or mitigated is set out below.

The Board considers the Covid-19 pandemic and Brexit to be factors which exacerbate existing risks, rather than new emerging risks. Their impact is considered within the relevant risks.

Risk	Mitigation
Financial Risk – the Company's assets consist of listed securities 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 19 to the Financial Statements on pages 55 to 57. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 outbreak. To mitigate this risk the Board considers various portfolio metrics including individual stock performance, the composition and diversification of the portfolio by growth category, purchases and sales of investments, the holding period of each investment and the top and bottom contributors to performance. The Manager provides rationale for stock selection decisions. A strategy meeting is held annually. The Board has considered the potential impact on sterling from the remaining Brexit related uncertainties. The value of the Company's investment portfolio would be affected by any impact, positively or negatively, on sterling but such impact would be partially offset by the effect of exchange movements on the Company's yen denominated borrowings.
Investment Strategy Risk – pursuing an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or the ineffective implementation of an attractive or appropriate strategy, 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.	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 premium/discount to net asset value at which the shares trade; and movements in the share register.
Discount Risk – the premium/discount 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.	The Board monitors the level of premium/discount at which the shares trade and the Company has authority to issue new shares or buy back its existing shares when deemed by the Board to be in the best interests of the Company and its shareholders.
Regulatory Risk – failure to comply with applicable legal and regulatory requirements such as the tax rules for investment 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. Changes to the regulatory environment could negatively impact the Company.	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 Directive and the Market Abuse Directive with reference to inside information.
Environmental, Social and Governance (ESG) Risk – any failure by the Investment Manager to identify potential future problems on ESG matters in an investee company could lead to the Company's shares being less attractive to investors as well as potential valuation issues in the underlying investee company.	This is mitigated by the Investment Manager's ESG application, which is integrated into the investment process, as well as the extensive up-front and on-going due diligence which the Investment Manager undertakes on each investee company. This includes the risk inherent in climate change (see page 17).

Risk	Mitigation
Custody and Depositary 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. The Custodian's audited internal controls 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. In addition, the existence of assets is subject to annual external audit.
Smaller Company 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 stocks.
Operational 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 (including any disruption resulting from the Covid-19 pandemic) or major disaster. Since the introduction of the Covid-19 restrictions, almost all Baillie Gifford staff have been working from home and operations have continued very largely as normal. The Audit Committee reviews Baillie Gifford's Report on Internal Controls and the reports by other key third party providers are reviewed by Baillie Gifford on behalf of the Board. In the year under review, the other key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.
Leverage Risk – the Company may borrow money for investment purposes (sometimes known as 'gearing' or 'leverage'). If the investments fall in value, any borrowings will magnify the extent of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings.	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. The Company has a maximum equity gearing level of 30% of shareholders' funds. The Company's investments are in listed securities that are readily realisable. Further information on leverage can be found on page 65 and in the Glossary of Terms and Alternative Performance Measures on pages 66 and 67.
Political and Associated Economic Risk – political change in areas in which the Company invests or may invest may have practical consequences for the Company.	To mitigate this risk developments are closely monitored and considered by the Board. Following the UK's departure from the European Union the Board believes that the Company's portfolio, which comprises companies which are incorporated or domiciled in Japan, positions the Company to be suitably insulated from Brexit-related risk.
Cyber Security 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.	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.

Emerging Risks – as explained on pages 31 to 32 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 emerging risks at each board meeting and discusses any mitigations required.

Viability Statement

Notwithstanding that the continuation vote of the Company is subject to the approval of shareholders annually, the Directors have, in accordance with provision 31 of the UK Corporate Governance Code, assessed the prospects of the Company over a period of five years from the Balance Sheet date. 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 and emerging 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, including the impact of the Covid-19 pandemic, which would prevent the Company from operating over a period of five years. The Directors have no reason to believe that the continuation resolution will not be passed at the Annual General Meeting.

In considering the viability of the Company, the Directors have conducted a robust assessment of each of the principal risks and uncertainties detailed on pages 8 and 9 and in particular the impact of market risk where a significant fall in Japanese equity markets would adversely impact the value of the investment portfolio. Specific leverage and liquidity stress testing was conducted during the year, including consideration of the risk of further market deterioration resulting from the coronavirus outbreak. The Company's investments are listed and readily realisable and can be sold to meet its liabilities as they fall due, the main liability currently being the bank borrowings. The Company's primary third party suppliers including its Managers and Secretaries, Depositary and Custodian, Registrar, Auditor and Broker are not experiencing significant operational difficulties affecting their respective services to the Company. 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.

The Board has considered the Company's leverage and liquidity in the context of its borrowings. Specific leverage and liquidity stress testing was conducted during the year. The leverage stress testing identified the impact of leverage in scenarios where gross assets fall by 25% and 50%, reflecting a range of market conditions that may adversely impact the portfolio. The liquidity stress testing identified the reduction in value of assets that can be liquidated within one month that would result in the value of those assets falling below the value of the borrowings. The stress testing did not indicate any matters of concern. The Board and Managers have considered the UK's departure from the European Union on 31 December 2020 and subsequent trade agreement and believe that, since the Company's investments are domestically focused within Japan and have minimal exposure to the UK, the Company is suitably insulated from Brexit-related risks.

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, having regard to Baillie Gifford Japan Trust being an externally managed investment company with no employees, the Board considers the Company's key stakeholders to be: its existing and potential new shareholders; its externally-appointed Managers (Baillie Gifford); other professional service providers (corporate broker, registrar, auditor and depositary); lenders; and 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 capital 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 below.

The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum 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. While the 2020 Annual General Meeting was closed, in accordance with government Covid-19 guidelines, shareholder questions were invited and responded to by email. The Chairman 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 are available to 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.

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, whilst 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 and other stakeholders are best served by keeping cost levels proportionate and competitive, and by maintaining the highest standards of business conduct.

Whilst the Company's operations are limited, as third party service providers conduct all substantive operations, the Board is aware 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 and that proper consideration of ESG factors sits naturally with Baillie Gifford Japan Trust's longstanding aim of providing a sustainable basis for adding value for shareholders. Further details on the Managers' approach to stewardship and examples of engagement are provided on pages 17 and 18.

The Board recognises the importance of keeping the interests of the Company's shareholders, and of acting fairly between them, firmly front of mind in its key decision making. The Company Secretaries are at all times available 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:

— as part of ongoing Board succession and refreshment, the appointment and induction of Sam Davis as a Director, with effect from 1 October 2021. This supports the AIC Corporate Governance Code principle that 'a successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society';

— the issuance of new shares raising over £26 million at a premium to net asset value, in order to satisfy shareholder demand and which serves the interests of existing shareholders by reducing costs per share and improving liquidity; and

— the Board's decision to declare a final dividend of 6.00p per ordinary share.

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are 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 is provided on page 18.

Gender Representation

At 31 August 2021, the Board comprises five Directors, three male and two female. Sam Davis was appointed to the Board on 1 October 2021. The Company has no employees. The Board's policy on diversity is set out on page 31.

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 18.

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 12 months is set out in the Chairman's Statement on page 3 and the Managers' Report on page 13.

Managers' Report

Inevitably this has been another year where the news has been dominated by the novel coronavirus. At a very big picture level it may be that there are three things that we have learned so far. First, there is a pandemic. Second, effective vaccines have been created. Third, the endgame will likely be a new endemic virus. In many ways what we are seeing currently in the global economy are the consequences of different countries being at different states in their immunity levels and, even where immunity is high, echoes from the pandemic and the methods used to control it continuing to ripple through the economy.

We are pleased to report that Baillie Gifford, and therefore the Japanese team, are once again able to use the office on a regular basis. While we have learned a great deal about how to work remotely we also believe that one of our key long-term competitive edges is the quality of discussion and debate in the team and therefore it is good to be able to strengthen the long-term bonds between team members with real-world interaction. Equally, while it is convenient and easy to talk with company management on Zoom and similar tools, we are looking forward to being able to meet with management in person again both in Japan and Edinburgh. Meanwhile, we are ably supported by our Japanese researchers in Tokyo.

Performance

Japan is now making reasonable progress with its vaccination programme, following a slow start, and overall case numbers remain low by global standards. It seems likely that Japan will enter the endemic phase of the coronavirus around the same time as many other developed economies. However, the coronavirus pandemic has been a global issue. For example, many of the suppliers to Japanese companies are based in South-East Asia where there continue, for now, to be significant virus-related problems. Many supply chains are complex and the temporary lack of availability of some parts can have significant knock-on impacts. Also, on the demand side, different parts of the globe have been emerging at varying speeds creating surges in demand for certain products at different times whilst supply is sometimes intermittent. Unsurprisingly, this combination is leading to short-term difficulties that may still take some time to resolve. Our meetings with individual companies suggest that many are having to respond by adjusting product schedules, making design modifications, and increasing prices. Capitalism is an effective system for meeting demand but, inevitably, it will take time for all the various problems to be worked through.

Throughout this period corporate Japan has shown admirable resilience, as demonstrated by the continuing increases in dividends being paid by the holdings of your Company. This determination by Japanese management to continue paying dividends is a significant improvement from their actions during the global financial crisis. Coupled with the significant cash positions of many Japanese companies it cements our view that it is quite realistic to expect growth in dividends to exceed growth in earnings, perhaps for another decade. While our focus remains on securing capital growth it is expected that growth businesses can provide a secure and growing income stream, and as mentioned in the Chairman's statement, this will lead to a further increase in the dividend paid to shareholders this year.

During the year, the NAV total return per share (with the borrowings deducted at fair value) was 20.9%, exceeding the total return of the Company's benchmark which was 16.3%. Over 5 years the NAV total return has outpaced the benchmark by 3.4% p.a. and over ten years by 5.6% p.a., demonstrating the benefit to shareholders of an active, long-term, growth-orientated approach to investing.

The largest positive contributors to performance mainly came from physical-world companies where business conditions had improved from the very difficult times that many experienced late last year. Outsourcing (a staffing company) was the leading contributor to performance. Run by the energetic entrepreneur Mr Doi, it has grown and internationalised its business over time to reduce its vulnerability to economic shocks and it seems that the market now has a greater understanding of how the resilience has improved. We also had significant contributions from Raksul (logistics and printing), DENSO (Toyota group electronics company), Misumi (dies and small parts) and Topcon (positioning systems) all of which are clearly companies with substantial physical-world operations.

Significant negative contributions mainly came from the internet area. The share prices of these businesses had been generally good performers in the previous year as they were resilient to the challenges of the novel coronavirus and, in some cases, benefitted from increased demand. Notable names included long-standing holdings GMO Internet (internet conglomerate), Bengo4.com (lawyers website), last year's star SoftBank (internet conglomerate) and newer holding GA Technologies (online real-estate). Calbee (potato snacks) and Colopl (mobile phone gaming) were also significant negative contributors. For each of these companies we retain conviction in the investment case.

Portfolio Positioning

The observant will note that the position in SoftBank Group is significantly smaller than last year. This is due to a combination of underperformance of the shares over the 12 months and a net reduction to the position size. We continue to regard it as an attractive long-term investment prospect but its weighting is now back under 5% of the portfolio, as is our general practice.

Over the year we bought a total of seven new holdings and sold five, maintaining the low turnover that characterises our long-term approach to investing. Since the Interim report, we took new holdings in Unicharm (nappies and sanitary products), BASE (e-commerce software) and TKP (serviced offices and conference rooms). Although these companies have many differences, they each share the feature of significant inside ownership. Unicharm's Takahara family own approximately 30% of the shares and are involved in the management of the business, while BASE's founder Mr Tsuroaka owns approximately 15% and TKP's founder Mr Kawano owns over 50%. We have long believed that significant ownership by management helps to align their interests with outside shareholders and is one of the most effective means of ensuring that shareholder interests are high up the priority list. Meanwhile, we sold the holdings in JAFCO (venture capital) and Zozo (e-commerce). Consistent with the above comment on inside ownership, one of the long-term concerns with Zozo was the stepping down of Mr Maezawa, the founder, from the management of the company and his subsequent share sales which we believe are likely to reduce the entrepreneurialism of the company in the long-run.

Net gearing levels rose during the year and your Company ended the year with 10% net gearing, reflecting two factors. First, the development of effective vaccines brought forward the likely date at which the novel coronavirus ultimately becomes one of many endemic viruses and gave a level of certainty that the worst of the problems would end. Second, we found ourselves with more buying than selling ideas which always encourages us to invest the cash that we keep on hand.

Outlook

It is sometimes easier to make long-term predictions than shorter ones. It seems highly likely to us that the novel coronavirus pandemic will fade into being another of the many endemic virus outbreaks that affect humanity. Similarly, it seems highly likely that the current waves of economic disruption that have flowed from it will ebb away over time. However, we do not feel that we can say anything insightful on the detail of the journey to these outcomes.

Similarly, in terms of the Trust itself: we continue to believe in the power of a diversified mix of quality growth companies to deliver a good return to shareholders over the long-term. However, we can give no assurances on how the journey will go in the short-term. What we can continue to do is to strive for ongoing improvement in the portfolio of your Company with a view to benefitting from the good business prospects of selected Japanese companies.

Baillie Gifford
13 October 2021

Review of Top Ten Investments

SoftBank

4.1% of total investments

SoftBank is a diversified company run by dynamic entrepreneur Masayoshi Son, who holds over 25% of the shares. The group currently encompasses large investments in Alibaba (the Chinese e-commerce company), mobile telecoms, and a variety of other worldwide technology investments, some of which are held through the Vision Fund (externally funded technology investment fund managed by SoftBank). The underlying businesses continue to grow, some very rapidly; we believe Mr Son to be an excellent allocator of capital and the discount that the shares trade at to the value of the underlying holdings remains significant.

SoftBank's Pepper Robot.

Rakuten

3.5% of total investments

Rakuten is an internet conglomerate with particular strengths in e-commerce and online financial services. It started with a successful online shopping mall called Ichiba and from that base it has developed an ecosystem, particularly in financial businesses. Successes include now running Japan's largest credit card business and serious online banking and brokerage operations. The company has been progressing its efforts to become a Mobile Network Operator (MNO) in Japan. The dynamic founder, Hiroshi Mikitani, continues to own well over a third of the shares, closely aligning the interests of management and shareholders.

GMO Internet

3.2% of total investments

GMO Internet is one of Japan's leading internet companies, with a particular emphasis on internet infrastructure. It is the number one provider of domain name registrations and hosting services, and has a strong position in hosting e-commerce websites and processing transactions. It also provides a variety of services, including security, search engine optimisation and online brokerage. Founder Masatoshi Kumagai owns over 40% of the shares, closely aligning the interests of management and shareholders.

SBI

3.0% of total investments

SBI is a leading internet focused financial services company in Japan. Its principal operations are online brokerage, internet banking, online life insurance and venture capital. In the company's own words, the core potential is 'utilising opportunities provided by the powerful price-destruction forces of the Internet and developing financial services that further enhance benefits to customers'. Whilst the business has various complexities the founder, Mr Kitao, has succeeded in building a company with a very good reputation among its customers. Furthermore, he has been alert to the opportunities presented by blockchain technology and made significant investments into the area that in time may be of substantial value.

Rakuten
Investing in new Japanese mobile phone network.

Sysmex
Providing diagnostic machines to laboratories.

Sysmex

2.9% of total investments

Sysmex is a global developer and supplier of diagnostics instruments. It enjoys a dominant position in the diagnostics of blood disorders thanks to its superior technology. While we think the company will continue to enjoy strong growth in its core business, we are very excited about Sysmex's new growth opportunities. A combination of the company's strength in the automation of complex blood tests with either acquired/in-licensed or in-house developed technologies has a good chance to lead to new and differentiated products.

CyberAgent

2.8% of total investments

CyberAgent is an internet holding company with exposure to internet advertising, online gaming/social media and internet start-up investments. The company is benefiting from a shift in advertising budgets to the internet, and is currently experiencing rapid growth in its mobile advertising business. The founder-President Mr Fujita has resolutely pursued domestic growth opportunities, including making significant investment in an online streaming video service that has attracted significant viewer numbers. We remain upbeat on the company's growth prospects in its core online advertising business and are encouraged by management's long-term decision making.

DENSO

2.8% of total investments

DENSO is a Japanese auto parts maker with a focus on complex electronic parts. It has broad exposure to the electrification of cars, autonomous driving technology and the energy transition. DENSO is therefore well placed to benefit from the growth in demand driven by greater adoption of hybrid and electric engines, broad electrification and advanced safety in the automobile industry. As well as existing contracts with its major shareholder Toyota, DENSO is expanding its ties with other car makers.

Misumi

2.8% of total investments

Misumi distributes an exceptionally large number of precision machinery parts by mail order and, increasingly, over the internet. Items are delivered to customers extremely quickly and high margins are enabled through standardised work-in-progress inventory and long-standing partnerships with more than 1,000 small equipment manufacturers. Its successful business model in Japan is now being rolled out across other countries in Asia placing Misumi in a strong position to benefit from the increasing level of industrialisation in those countries.

DENSO
Investing in cutting edge technology.

Kubota
Providing agricultural machinery to the world.

Sony

2.6% of total investments

Sony is a major owner of game, music and film content. The PlayStation has established itself as the leading console and platform for networked games and is a front-runner in virtual reality (VR) gaming. The company is the world's largest music publisher and a major film producer. Growing demand from different and competing platforms for Sony's film and music content is increasing potential revenue streams and the underlying value of these businesses. The company has made considerable progress in restructuring its consumer electronics business and is investing in its areas of strength, notably content and image sensors, where it enjoys a dominant global position. We also believe that management, particularly CEO Kenichiro Yoshida (who previously oversaw the company's restructuring as CFO) continue to provide effective leadership.

Kubota

2.6% of total investments

Kubota is a producer of agricultural equipment and mini excavators. We believe agricultural mechanisation is a very well established and long duration growth opportunity. Due to its Japanese heritage Kubota is especially well placed to benefit from long-term growth in demand for agricultural equipment in Asian markets, such as rice planters, combine harvesters and small tractors. It should also benefit from increased levels of infrastructure spending in North America giving a further growth opportunity.

Corporate Governance and Sustainability Engagement

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 has asked the Managers to take these issues into account as long as the investment objectives are not compromised. 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' statement of compliance with the UK Stewardship Code can be found on the Managers' website: **bailliegifford.com**. The Managers' policy has been reviewed and endorsed by the Board.

By engaging with companies, the Managers 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 three examples below demonstrate our stewardship approach through constructive, ongoing engagement.

Bridgestone Corporation

We met with members of the sustainability and technical development teams to discuss the latest progress in Bridgestone's ambition to improve the circularity of the tyre life cycle. With significant carbon and chemicals embedded in the product during manufacture, and often then released in the current disposal processes, there is much to be gained from the tyre manufacturers taking lifetime ownership, adjusting content and construction and maximising the recombination of old-to-new. While plausible, the technical challenges while maintaining safety, performance and wear are significant. It was very insightful to hear about Bridgestone's approach, and the linkage of these technical efforts to the simultaneous development of a new business model: the provision of tyres-as-a-service rather than the traditional sell-and-forget. This essential industry is changing, and we will continue to engage with Bridgestone.

Bridgestone

DMG Mori

DMG Mori

We met with DMG Mori to discuss its climate-related strategy and disclosures. As a manufacturer and distributor of precision machine tools, it should be well-placed to benefit from the trends towards greater energy efficiency and new technologies. However, like many smaller companies, its communications are typified by a relatively low level of disclosure. We have been communicating with the company on this, and were pleased to see the announcement of emissions targets at the 2020 year-end. Our meeting allowed us to explore some of the detail and the connection to actual business and strategy. More reporting should be forthcoming in the integrated report in March, and our dialogue will continue.

Recruit

In a call with investor relations at Recruit, we discussed a range of ESG matters including the succession of the chief executive officer, how diversity is considered both at the board and in the wider business, the management of cross shareholdings, data security and privacy, and the monitoring and disclosure of carbon targets. The meeting was constructive and demonstrated the consideration that the company has given to a range of ESG factors. We believe data security and privacy should be a key consideration for the business and the company highlighted that this is one of its key risk considerations. We encouraged the company to further improve disclosure on the steps taken in this area.

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 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 Baillie Gifford Japan Trust's portfolio is 78% lower than the index (TOPIX Index). The Managers, Baillie Gifford & Co, are signatories to the United Nations Principles for Responsible Investment and the Carbon Disclosure Project and are also members of the Asian Corporate Governance Association and the International Corporate Governance Network.

Baillie Gifford Statement on Stewardship

Reclaiming Activism for Long-Term Investors

Baillie Gifford's over-arching ethos is that we are 'actual' investors. We have a responsibility to behave as supportive and constructively engaged long-term investors. We invest in companies at different stages in their evolution, across vastly different industries and geographies and we celebrate their uniqueness. Consequently, we are wary of prescriptive policies and rules, believing that these often run counter to thoughtful and beneficial corporate stewardship. Our approach favours a small number of simple principles which help shape our interactions with companies.

Our Stewardship Principles

Prioritisation of Long-term Value Creation

We encourage company management and their boards to be ambitious and focus their investments on long-term value creation. We understand that it is easy for businesses to be influenced by short-sighted demands for profit maximisation but believe these often lead to sub-optimal long-term outcomes. We regard it as our responsibility to steer businesses away from destructive financial engineering towards activities that create genuine economic value over the long run. We are happy that our value will often be in supporting management when others do not.

A Constructive and Purposeful Board

We believe that boards play a key role in supporting corporate success and representing the interests of minority shareholders. There is no fixed formula, but it is our expectation that boards have the resources, cognitive diversity and information they need to fulfil these responsibilities. We believe that a board works best when there is strong independent representation able to assist, advise and constructively test the thinking of management.

Long-term Focused Remuneration with Stretching Targets

We look for remuneration policies that are simple, transparent and reward superior strategic and operational endeavour. We believe incentive schemes can be important in driving behaviour, and we encourage policies which create alignment with genuine long-term shareholders. We are accepting of significant pay-outs to executives if these are commensurate with outstanding long-run value creation, but plans should not reward mediocre outcomes. We think that performance hurdles should be skewed towards long-term results and that remuneration plans should be subject to shareholder approval.

Fair Treatment of Stakeholders

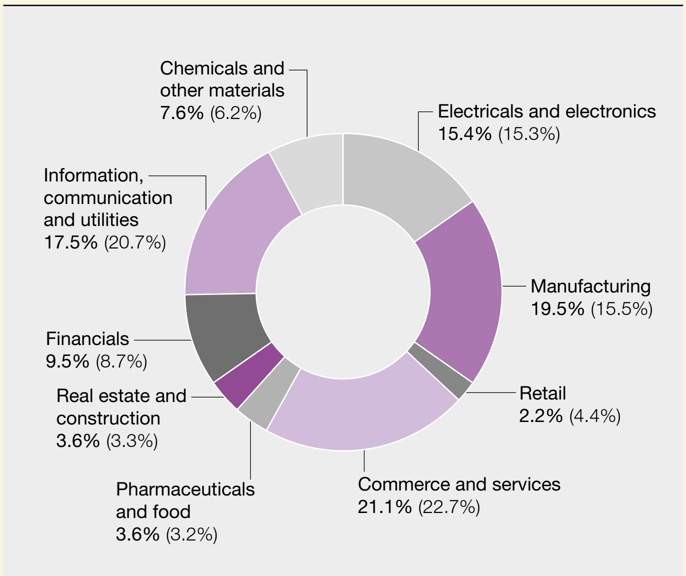
We believe it is in the long-term interests of companies to maintain strong relationships with all stakeholders, treating employees, customers, suppliers, governments and regulators in a fair and transparent manner. We do not believe in one-size-fits-all governance and we recognise that different shareholder structures are appropriate for different businesses. However, regardless of structure, companies must always respect the rights of all equity owners.

Sustainable Business Practices

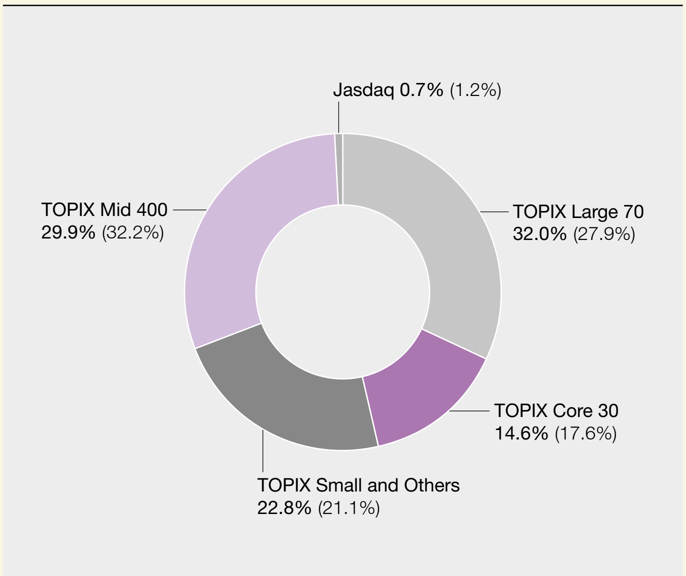
We look for companies to act as responsible corporate citizens, working within the spirit and not just the letter of the laws and regulations that govern them. We believe that corporate success will only be sustained if a business's long-run impact on society and the environment is taken into account. Management and boards should therefore understand and regularly review this aspect of their activities, disclosing such information publicly alongside plans for ongoing improvement.

Distribution of Total Investments

Sector 2021 (2020)



Listings 2021 (2020)



Relative Contribution

Top Ten Relative Stock Contributors

Year to 31 August 2021

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
Outsourcing	2.4	0.0	1.1
Raksul	1.7	0.0	0.8
DENSO	2.7	0.6	0.7
Misumi	2.5	0.2	0.6
Topcon	1.0	0.0	0.6
Bridgestone	1.8	0.4	0.5
JAFCO	0.7	0.0	0.4
CyberAgent	3.0	0.2	0.4
Mazda Motor	2.0	0.1	0.3
Sysmex	3.1	0.3	0.3

Bottom Ten Relative Stock Contributors

Year to 31 August 2021

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
Colopl	1.9	0.0	(0.7)
Calbee	2.1	0.1	(0.7)
GMO Internet	3.6	0.0	(0.7)
SoftBank	6.4	2.5	(0.6)
GA Technologies	1.0	0.0	(0.6)
Bengo4.Com	0.9	0.0	(0.5)
Demae-Can	1.1	0.0	(0.5)
Keyence	0.8	2.0	(0.3)
mixi	2.9	0.0	(0.2)
SBI	3.3	0.1	(0.2)

Top Ten Relative Stock Contributors

5 Years to 31 August 2021

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
Yaskawa Electric	2.1	0.2	2.4
SoftBank	5.8	1.8	2.2
Katitas	0.4	0.0	1.7
M3	1.9	0.3	1.6
CyberAgent	2.6	0.1	1.5
Pan Pacific International	1.6	0.2	1.4
SBI	3.1	0.1	1.3
Misumi	2.7	0.1	1.3
Outsourcing	2.3	0.0	1.3
IRISO Electronics	1.0	0.0	1.2

Bottom Ten Relative Stock Contributors

5 Years to 31 August 2021

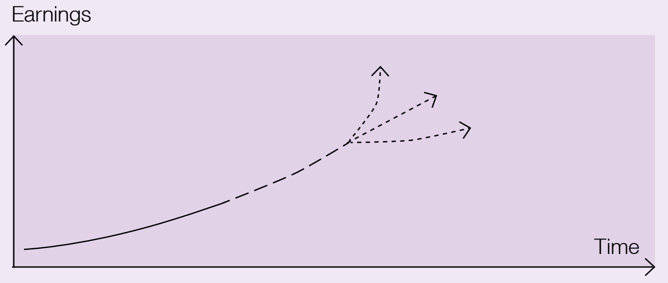
Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
Inpex	2.2	0.2	(1.3)
Mazda Motor	1.4	0.2	(1.1)
Park24	1.2	0.1	(1.0)
Subaru	1.3	0.4	(1.0)
Takara Leben	0.4	0.0	(0.9)
Suruga Bank	0.4	0.0	(0.9)
Rakuten	3.4	0.2	(0.8)
Lifull	0.9	0.0	(0.8)
Istyle	0.9	0.0	(0.8)
Cyberdyne	0.4	0.0	(0.7)

Source: StatPro and relevant underlying index providers. Baillie Gifford Japan Trust relative to TOPIX total return, in sterling terms. See disclaimer on page 65.

Investment Portfolio by Growth Category

As at 31 August 2021

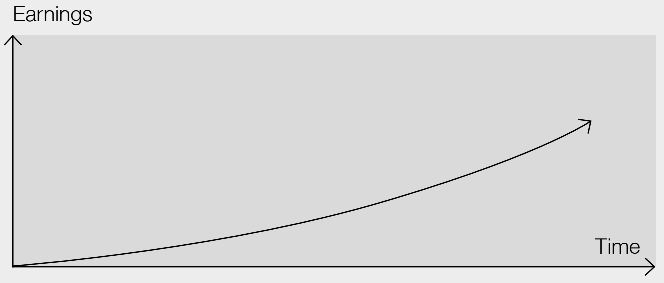
Secular Growth



Secular Growth: Opportunity to grow rapidly but where there are a number of potential outcomes.

	% of total investments
Rakuten	3.5
GMO Internet	3.2
SBI	3.0
Sysmex	2.9
CyberAgent	2.8
Misumi	2.8
Kubota	2.6
FANUC	2.5
Raksul	2.2
Nidec	2.2
Sato	1.6
MonotaRO	1.6
Recruit Holdings	1.4
GA Technologies	1.3
Topcon	1.2
Toyota Tsusho	1.1
Digital Garage	1.0
Infomart	1.0
Mercari	1.0
SMC	0.9
Keyence	0.8
Broadleaf	0.7
Demae-Can	0.7
Shimano	0.7
TKP	0.6
Istyle	0.6
Bengo4.com	0.5
Subaru	0.5
Peptidream	0.4
BASE	0.4
Noritsu Koki	0.4
Nippon Ceramic	0.4
Lifull	0.3
Healios K.K.	0.2
Rizap	0.2
Cyberdyne	0.1
Total	**47.3**

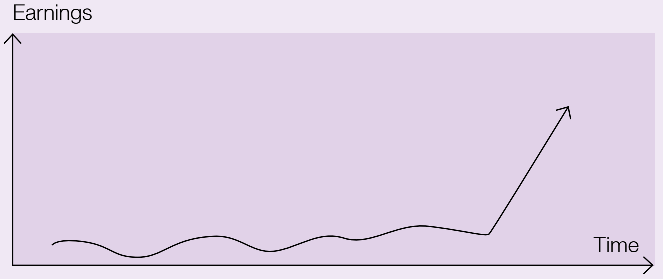
Growth Stalwarts



Growth Stalwarts: Growth is less rapid but more predictable.

	% of total investments
Calbee	2.6
Pola Orbis	1.5
Unicharm	1.3
Zenkoku	1.2
Makita	1.1
Asics	0.7
Sugi	0.7
Park24	0.6
Fukuoka Financial	0.5
Secom	0.3
Sawai Pharmaceutical	0.3
Total	**10.8**

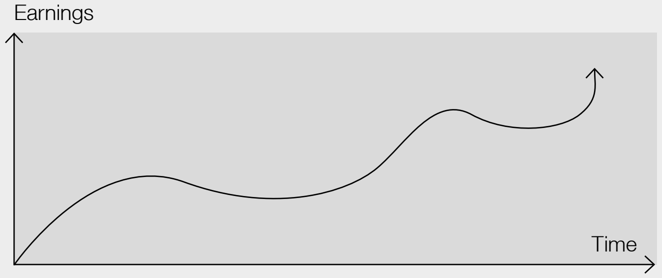
Special Situations



Special Situations: Performance has not been good but there is a reason to believe improvements are underway.

	% of total investments
SoftBank	4.1
Sony	2.6
MS&AD Insurance	2.4
mixi	2.3
Colopl	1.6
Inpex	1.5
Tokyo Tatemono	1.3
Gree	0.8
Total	**16.6**

Cyclical Growth



Cyclical Growth: Earnings do not rise every year but are expected to be higher from one cycle to the next.

	% of total investments
DENSO	2.8
Bridgestone	2.5
Outsourcing	2.5
Itochu	2.3
Sumitomo Mitsui Trust	2.3
Mazda Motor	2.1
Sumitomo Metal Mining	2.0
Murata	1.7
DMG Mori	1.6
Nifco	1.3
Mitsubishi Electric	1.3
Iida	1.1
Rohm	1.1
Tsubaki Nakashima	0.7
Total	**25.3**

Holding Period

As at 31 August 2021

>10 years	% of total investments
Rakuten	3.5
GMO Internet	3.2
SBI	3.0
Sysmex	2.9
Misumi	2.8
Kubota	2.6
Itochu	2.3
Inpex	1.5
Nifco	1.3
Mitsubishi Electric	1.3
Tokyo Tatemono	1.3
Rohm	1.1
Digital Garage	1.0
SMC	0.9
Gree	0.8
Asics	0.7
Fukuoka Financial	0.5
Lifull	0.3
Total	**31.0**

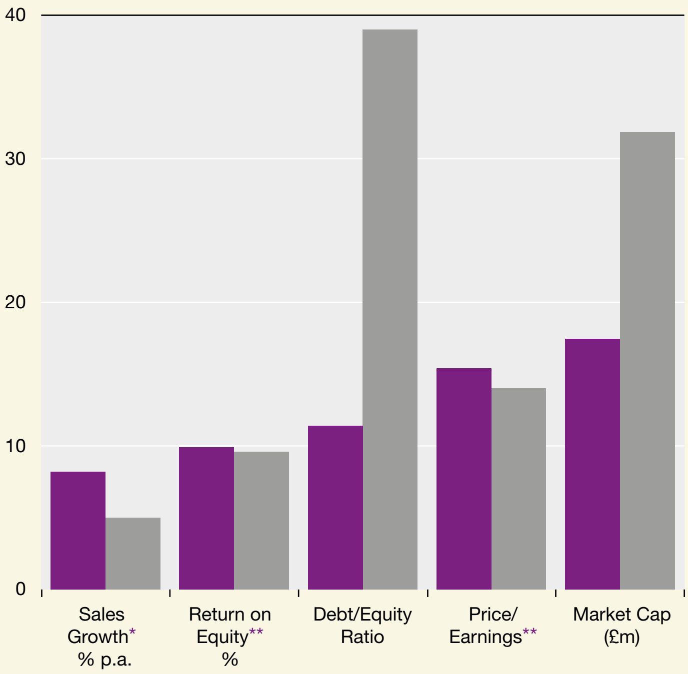
5–10 years	% of total investments
SoftBank	4.1
CyberAgent	2.8
Sony	2.6
FANUC	2.5
Outsourcing	2.5
Sumitomo Mitsui Trust	2.3
Nidec	2.2
Mazda Motor	2.1
Sumitomo Metal Mining	2.0
Murata	1.7
Recruit Holdings	1.4
Topcon	1.2
Toyota Tsusho	1.1
Iida	1.1
Infomart	1.0
Broadleaf	0.7
Park24	0.6
Istyle	0.6
Subaru	0.5
Nippon Ceramic	0.4
Sawai	0.3
Total	**33.7**

2–5 years	% of total investments
mixi	2.3
Sato	1.6
DMG Mori	1.6
Colopl	1.6
MonotaRO	1.6
Zenkoku Hosho	1.2
Makita	1.1
Mercari	1.0
Keyence	0.8
Demae-Can	0.7
Shimano	0.7
Peptidream	0.4
Noritsu Koki	0.4
Secom	0.3
Healios K.K.	0.2
Rizap	0.2
Cyberdyne	0.1
Total	**15.8**

<2 years	% of total investments
DENSO	2.8
Calbee	2.6
Bridgestone	2.5
MS&AD Insurance	2.4
Raksul	2.2
Pola Orbis	1.5
GA Technologies	1.3
Unicharm	1.3
Tsubaki Nakashima	0.7
Sugi	0.7
TKP	0.6
Bengo4.com	0.5
BASE	0.4
Total	**19.5**

Stocks bought within the past year.

Portfolio Characteristics



Source: UBS, sterling, as at 31 August 2021.
*Historic: Trailing 3 years sales growth.
**12 month forward estimate.

Japan Trust
TOPIX

- **Sales Growth:** Higher than average growth in sales
- **Quality:** Higher than average return on equity, stronger balance sheets
- **Value:** Small premium in terms of price earnings ratio
- **Size:** Mid to small cap exposure

List of Investments at 31 August 2021

Name	Sector	Value 31 August 2021 £'000	% of total investments	Absolute † performance %	Relative † performance %
SoftBank	Information, communication and utilities	43,240	4.1	(11.5)	(23.9)
Rakuten	Commerce and services	36,951	3.5	16.4	0.1
GMO Internet	Information, communication and utilities	33,983	3.2	(4.4)	(17.8)
SBI	Financials	31,624	3.0	7.6	(7.5)
Sysmex	Electricals and electronics	30,291	2.9	27.8	9.9
CyberAgent	Commerce and services	29,707	2.8	35.0	16.1
DENSO	Manufacturing and machinery	29,597	2.8	66.0	42.8
Misumi	Commerce and services	29,214	2.8	48.0	27.3
Sony	Electricals and electronics	27,680	2.6	29.0	11.0
Kubota	Manufacturing and machinery	27,248	2.6	13.1	(2.7)
Calbee	Pharmaceuticals and food	27,218	2.6	(22.1)	(33.0)
FANUC	Electricals and electronics	26,672	2.5	22.3	5.2
Bridgestone	Manufacturing and machinery	26,031	2.5	25.7 *	19.8
Outsourcing	Commerce and services	25,929	2.5	102.1	73.8
MS&AD Insurance	Financials	25,401	2.4	6.0 *	2.6
Itochu	Commerce and services	24,636	2.3	17.0	0.7
Sumitomo Mitsui Trust	Financials	24,549	2.3	14.5	(1.5)
mixi	Commerce and services	24,431	2.3	4.7	(10.0)
Raksul	Information, communication and utilities	23,033	2.2	85.8	59.9
Nidec	Electricals and electronics	22,904	2.2	33.6	14.9
Mazda Motor	Manufacturing and machinery	22,120	2.1	32.1	13.6
Sumitomo Metal Mining	Chemicals and other materials	21,062	2.0	25.2	7.7
Murata	Electricals and electronics	17,533	1.7	38.2	18.8
Sato	Manufacturing and machinery	17,353	1.6	28.0	10.1
DMG Mori	Manufacturing and machinery	17,000	1.6	38.3	18.9
Colopl	Information, communication and utilities	16,904	1.6	(17.7)	(29.2)
MonotaRO	Retail	16,639	1.6	9.4	(5.9)
Pola Orbis	Chemicals and other materials	15,805	1.5	18.2	1.7

Name	Sector	Value 31 August 2021 £'000	% of total investments	Absolute † performance %	Relative † performance %
Inpex	Chemicals and other materials	15,514	1.5	9.8	(5.6)
Recruit Holdings	Commerce and services	14,939	1.4	52.2	30.9
Nifco	Chemicals and other materials	14,011	1.3	21.7	4.7
GA Technologies	Information, communication and utilities	13,596	1.3	(28.7)*	(28.4)
Unicharm	Chemicals and other materials	13,548	1.3	11.5 *	6.5
Mitsubishi Electric	Electricals and electronics	13,353	1.3	(1.5)	(15.3)
Tokyo Tatemono	Real estate and construction	13,205	1.3	25.9	8.3
Zenkoku	Financials	13,166	1.2	33.7	15.0
Topcon	Manufacturing and machinery	12,280	1.2	106.7	77.8
Makita	Manufacturing and machinery	11,763	1.1	22.7	5.5
Toyota Tsusho	Commerce and services	11,535	1.1	51.7	30.5
Rohm	Electricals and electronics	11,154	1.1	48.3	27.6
Iida	Real estate and construction	11,138	1.1	30.2	12.0
Digital Garage	Information, communication and utilities	10,393	1.0	47.4	26.8
Infomart	Commerce and services	10,325	1.0	26.3	8.6
Mercari	Information, communication and utilities	10,092	1.0	6.5	(8.4)
SMC	Manufacturing and machinery	9,607	0.9	14.5	(1.5)
Keyence	Electricals and electronics	8,704	0.8	42.7	22.8
Gree	Information, communication and utilities	8,560	0.8	37.9	18.7
Broadleaf	Information, communication and utilities	7,489	0.7	(1.1)	(14.9)
Asics	Manufacturing and machinery	7,402	0.7	51.8	30.6
Demae-Can	Information, communication and utilities	7,174	0.7	(36.7)	(45.5)
Tsubaki Nakashima	Manufacturing and machinery	7,071	0.7	71.8 *	58.7
Shimano	Manufacturing and machinery	7,028	0.7	36.9	17.8
Sugi	Retail	6,999	0.7	5.3	(9.4)
TKP	Real estate and construction	6,818	0.6	(20.8)*	(22.5)
Park24	Real estate and construction	6,467	0.6	4.1	(10.5)

Name	Sector	Value 31 August 2021 £'000	% of total investments	Absolute † performance %	Relative † performance %
Istyle	Information, communication and utilities	5,968	0.6	28.9	10.9
Bengo4.com	Commerce and services	5,732	0.5	(39.8)	(48.3)
Subaru	Manufacturing and machinery	5,482	0.5	(11.2)	(23.6)
Fukuoka Financial	Financials	5,110	0.5	12.9	(2.9)
Peptidream	Pharmaceuticals and food	4,637	0.4	(15.4)	(27.2)
BASE	Information, communication and utilities	4,307	0.4	12.4 *	10.2
Noritsu Koki	Manufacturing and machinery	4,052	0.4	42.6	22.7
Nippon Ceramic	Electricals and electronics	3,995	0.4	15.3	(0.8)
Secom	Commerce and services	3,565	0.3	(20.6)	(31.7)
Sawai Pharmaceutical	Pharmaceuticals and food	3,554	0.3	(12.0)	(24.3)
Lifull	Commerce and services	3,120	0.3	(28.7)	(38.7)
Healios K.K.	Pharmaceuticals and food	2,509	0.2	16.5	0.2
Rizap	Commerce and services	1,958	0.2	22.6	5.4
Cyberdyne	Manufacturing and machinery	1,598	0.1	(11.8)	(24.1)
Total investments		1,053,673	100.0		
Net liquid assets		43,929			
Total assets		1,097,602			
Bank loans		(142,200)			
Equity shareholders' funds		955,402			

† Absolute and relative performance have been calculated on a total return basis over the period 1 September 2020 to 31 August 2021. For investments held for part of the year, the return is for the period they were held. Absolute performance is in sterling terms; relative performance is against TOPIX total return (in sterling terms).

* Figures relate to part period returns.

Source: Baillie Gifford/StatPro and relevant underlying index providers. See disclaimer on page 65.

Past performance is not a guide to future performance.

The Strategic Report which includes pages 2 to 25 was approved by the Board of Directors and signed on its behalf on 13 October 2021.

J Keith R Falconer
Chairman

Directors and Management

Members of the Board come from a broad variety of backgrounds. The Board can draw on a very extensive pool of knowledge and experience.

Directors

Keith Falconer – Chairman

Keith Falconer was appointed a Director in 2014 and became Chairman in December 2019. He is Chairman of the Nomination Committee. Previously he was Chairman of the Audit Committee from November 2014. He was with Martin Currie Investment Management Ltd from 1979 until his retirement in 2003 and between 1982 and 1987, he headed up the Japanese Equity team. He is chairman of Adelphi Distillery Ltd and Peregrine Ardnamurchan Trust.

Sharon Brown

Sharon Brown was appointed to the Board in October 2019. She is Chair of the Audit Committee and a qualified accountant. She is currently a director and audit committee chair of BMO Capital & Income Investment Trust plc, European Opportunities Trust plc, and Celtic plc and a director of The Crieff Food Company Limited and Tomorrows People Trust Limited. She was previously finance director of Dobbies Garden Centres plc and a director of McColl's Retail Group plc and Fidelity Special Values plc.

David Kidd

David Kidd was appointed a Director in 2015. He has over 25 years investment experience in the City, mainly in the role of chief investment officer. For the past thirteen years he has been a director of The Law Debenture Pension Trust Corporation PLC where he is an independent professional trustee. He is also a director of The Golden Charter Trust and Mid Wynd International Investment Trust PLC.

Martin Paling

Martin Paling was appointed a Director in 2008 and is the Senior Independent Director. He was an investment director of Bentley Capital (Europe) Ltd between 1996 and 2008. From 1993 to 1996 he was deputy chief investment officer of Baring Asset Management (Asia) Ltd in Hong Kong. Prior to that he worked for James Capel & Co, where he was chief international investment strategist and James Capel (Far East) Ltd in Hong Kong where he directed institutional sales. Previously, he was a partner and head of Singapore/Malaysia sales at Montagu, Loebl, Stanley & Co.

Joanna Pitman

Joanna Pitman was appointed a Director in 2018. She read Japanese Studies at Cambridge University and speaks Japanese. She was Tokyo Bureau Chief of The Times from 1989 to 1994 and for the past twelve years she has worked as a corporate research analyst focused on Japan. She is vice chair of the Great Britain Sasakawa Foundation and UK Chair of SAIDIA.

Sam Davis

Sam Davis was appointed a Director on 1 October 2021. Sam studied Japanese at Oxford before joining Morgan Grenfell & Co. Ltd, working initially in corporate finance in both London and Tokyo. He moved to Morgan Grenfell Asset Management in 1996 to work with a Tokyo-based team. In 2000 he joined Putnam Investments first in Boston, MA and then in London where, over his 19 year tenure, he managed Asian, European and broad international equity portfolios. As Putnam's Co-Head of Equities he oversaw a global investment team and was CEO of Putnam Investments Ltd, the group's UK regulated entity.

All Directors are members of the Nomination Committee and Management Engagement Committee. With the exception of Keith Falconer, all are members of the Audit Committee. No Director holds a Directorship in common with another member of the Board.

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 ('AIFM') and Company Secretary. Baillie Gifford & Co Limited has delegated investment management services to Baillie Gifford & Co. 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 thirteen closed-ended investment companies. Baillie Gifford also manages 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 total around £330 billion at 12 October 2021. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 47 partners and a staff of around 1,500.

The Company's manager at Baillie Gifford Japan is Matthew Brett. Matthew joined Baillie Gifford in 2003 and is an investment manager of the Japanese All Cap strategy and lead manager of the Japanese Income Growth strategy. Praveen Kumar is deputy manager. Praveen joined Baillie Gifford in 2008 and has been an investment manager on the Japanese Equities team since 2008.

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 August 2021.

Corporate Governance

The Corporate Governance Report is set out on pages 30 to 33 and forms part of this Report.

Manager 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 and 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 between the AIFM and the Company 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 6 months' notice or on shorter notice in certain circumstances. Compensation would only be payable if termination occurred prior to the expiry of the notice period. Careful consideration has been given by the Board as to the basis on which the management fee is charged. The Board considers that maintaining a relatively low ongoing charges ratio is in the best interests of the shareholders. The Board is also of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence over the long term performance. The annual management fee is 0.75% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets, calculated and payable quarterly.

The Board as a whole fulfils the function of the Management Engagement Committee. The Board considers the Company's investment management and secretarial arrangements for the Company on an ongoing basis and a formal review is conducted annually. The Board considers, amongst others, the following topics in its review: the quality of the personnel assigned to handle the Company's affairs; the investment process and the results achieved to date; investment performance; the administrative services provided by the Secretaries and the quality of information provided; the marketing efforts undertaken by the Managers; and the relationship with the Managers.

Following the most recent review it is the opinion of the Directors 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 best interests of the Company and shareholders as a whole. This is due to the strength and quality of the investment management team, the Managers' commitment to the investment trust sector and the comprehensive efficiency of the secretarial and administrative functions.

Depositary

The Bank of New York Mellon (International) Limited has been appointed as the Company's Depositary in accordance with the requirements of the UK Alternative Investment Fund Managers (AIFM) Regulations.

The Company's Depositary also acts as the Company's Custodian. 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.

Directors

Information about the Directors, including their relevant experience, can be found on page 26.

Mr Sam Davis was appointed to the Board on 1 October 2021 and is required to seek election by shareholders at the Annual General Meeting. The Directors believe his experience and knowledge enhances the Board and recommend his election to shareholders.

The Corporate Governance Code rules require that all Directors be subject to annual election by shareholders. As a result, other Directors will retire at the Annual General Meeting and with the exception of Mr Paling, who will stand down after the conclusion of the Annual General Meeting, offer themselves for re-election. Following formal performance evaluation, the Chairman confirms that the Board considers that their performance continues to be effective and that they remain committed to the Company. The Board therefore recommends their re-election to shareholders.

The Board also considers that Mr Paling remains independent notwithstanding having served on the Board for more than nine years, as explained on page 30.

Director Indemnification and Insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds which were in force during the year to 31 August 2021 and up to the date of approval of this report, 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/her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

The Company maintains Directors' and Officers' liability insurance.

Conflicts of Interest

Each Director submits a list of potential conflicts of interest to the Nomination Committee on an annual 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 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

The Board recommends a final dividend of 6.00p per ordinary share. If approved, the recommended final dividend will be paid on 21 December 2021 to shareholders on the register at the close of business on 12 November 2021. The ex-dividend date is 11 November 2021. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. For those shareholders electing to receive the DRIP the last date for receipt of the election is 30 November 2021.

Share Capital

Capital Structure

The Company's capital structure consists of 94,328,209 ordinary shares of 5p each at 31 August 2021 (2020 – 91,858,209). At 31 August 2021, no shares were held in treasury (2020 – 566,716). 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.

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 pages 60 and 61.

Major Interests in the Company's Shares

Name	No of ordinary 5p shares held at 31 August 2021	% of issue
Brewin Dolphin Limited (indirect)	4,597,276	4.9
Quilter Cheviot Limited (indirect)	3,547,139	3.8
Rathbone Brothers PLC (indirect)	3,412,614	3.6

There have been no changes to the major interests in the Company's shares intimated up to 12 October 2021.

Share Issuance Authority

At the last Annual General Meeting, the Directors were granted authority to issue shares up to an aggregate nominal amount of £459,291.04 and to issue shares or sell shares held in treasury on a non pre-emptive basis for cash up to an aggregate nominal amount of £459,291.04. These authorities are due to expire at the Annual General Meeting on 16 December 2021.

Resolution 12 in the Notice of Annual General Meeting seeks to renew the Directors' general authority to issue shares up to an aggregate nominal amount of £471,641.04. This amount represents 10% of the Company's total ordinary share capital in issue at 12 October 2021 and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 12 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 13, which is proposed as a special resolution, seeks to provide the Directors with authority 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 £471,641.04 (representing 10% of the issued ordinary share capital of the Company as at 12 October 2021). The authorities sought in Resolutions 12 and 13 will continue until the conclusion of the Annual General Meeting to be held in 2022 or on the expiry of 15 months from the passing of this Resolution, if earlier.

Such authorities will only be used to issue shares or re-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.

Market Purchases of Own Shares

At the last Annual General Meeting, the Company was granted authority to purchase up to 13,769,545 ordinary shares (equivalent to 14.99% of its issued share capital), such authority to expire at the 2021 Annual General Meeting. The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases up to 14,139,798 ordinary shares representing approximately 14.99% of the Company's ordinary shares in issue, excluding treasury shares, at the date of passing of the Resolution, such authority to expire at the Annual General Meeting of the Company to be held in 2022.

During the year to 31 August 2021, no shares were bought back (2020 – 566,716 shares (0.6% of called up share capital at 31 August 2019) were bought back at a cost of £3,429,000 and held in treasury).

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 the 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:

(i) sell such shares (or any of them) for cash (or its equivalent under the Companies Act 2006); or

(ii) cancel the shares (or any of them).

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

The Company shall not be entitled to exercise the voting rights attaching to treasury shares.

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 per cent 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 price of the last independent trade and the highest current independent bid on the London Stock Exchange as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy back programmes and stabilisation of financial instruments (No. 2273/2003).

The minimum price (exclusive of expenses) that may be paid will be 5p per share. Purchases of shares will be made within guidelines established, from time to time, by the Board. Your attention is drawn to Resolution 14 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.

Directors' Fee Limit

The Company's Articles of Association provide that Directors' fees may not exceed £200,000 per annum in aggregate, or such larger amount as may be agreed by the Company by ordinary resolution.

Articles of Association

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

Continuation of the Company

The Company's Articles of Association give shareholders the right to vote annually at the Annual General Meeting of the Company on whether to continue the Company. The Directors wish to draw your attention to Resolution 11 in the Notice of Annual General Meeting, which proposes that the Company continues in operation until the 2022 Annual General Meeting.

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 19 to the Financial Statements.

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

The Auditor, KPMG LLP, is willing to continue in office and in accordance with section 489 and section 491(1) of the Companies Act 2006 resolutions concerning their re-appointment 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 up to 12 October 2021.

Greenhouse Gas Emissions and Streamlined Energy and Carbon Reporting ('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 same reasons as set out above, the Company considers itself to be a low energy user under the SECR regulations and therefore, is not required to disclose energy and carbon information.

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.

On behalf of the Board
J Keith R Falconer
Chairman
13 October 2021

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** and the relevant principles of the Association of Investment Companies (AIC) Code of Corporate Governance 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 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 Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code except that the Company does not have a separate internal audit function, as explained on page 34.

The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters formally reserved for its approval including strategy, investment policy, currency hedging, gearing, treasury matters, dividend and corporate governance policy. A separate strategy session is held annually. The Board also reviews the Financial Statements, investment transactions, revenue budgets and performance of the Company. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

At 31 August 2021, the Board comprises five Directors, all of whom are non-executive. The Chairman, Mr JKR Falconer, is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

The Senior Independent Director (SID) is Martin Paling, and as such, is available to shareholders if they have concerns not properly addressed by the Chairman. The SID leads the Chairman's appraisal and chairs the Nomination Committee when it considers the Chairman's succession. Upon Mr Paling's retirement, in December, David Kidd will succeed as the SID.

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. Mr Paling is the Senior Independent Director.

The Directors believe that the Board has a balance of skills and experience that enables it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on page 26.

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

Appointments to the Board

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 retire and seek election by shareholders at the next Annual General Meeting. In accordance with the Code, all Directors are subject to annual re-election by shareholders.

Chairman and Directors' Tenure

It is the Board's policy that all Directors, including the Chairman, shall normally have tenure limited to nine years from their first appointment to the Board. Exceptions may be made in particular circumstances, particularly in respect of the Chair for example to facilitate effective succession planning or if the Company were in the middle of a corporate action, when an extension may be appropriate.

Independence of Directors

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

The Directors recognise the importance of succession planning for company boards and review the Board composition annually.

The Board is of the view that length of service will not necessarily compromise the independence or contribution of Directors of an investment trust company, where continuity and experience can be a benefit to the Board. The Board concurs with the view expressed in the AIC Code that long serving Directors should not be prevented from being considered independent.

Mr Paling has served on the Board for more than nine years and will be retiring from the Board immediately following the Company's Annual General Meeting on 16 December 2021. Following formal performance evaluation, the Board concluded that he continues to be independent in character and judgement.

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. The table below shows the attendance record for the Board and Committee meetings held during the year. The Annual General Meeting was attended by all Directors.

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	**4**	**2**	**1**
JKR Falconer*	4	–	1
S Brown	4	2	1
DP Kidd	4	2	1
MH Paling	4	2	1
JB Pitman	4	2	1

* Mr Falconer is not a member of the Audit Committee but was in attendance at both meetings held.

Nomination Committee

The Nomination Committee consists of the whole Board and the Chairman of the Board is the Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference which include reviewing the composition of 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 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.

Diversity

Appointments to the Board are made on merit with due regard for the benefits of diversity including gender. The priority in appointing new Directors is to identify the candidate with the best range of skills and experience to complement existing Directors. The Board therefore does not consider it appropriate to set diversity targets or apply a diversity policy.

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

Board Composition

The Committee reviewed its composition and in consideration of succession panning determined that it was appropriate that a new non-executive Director be appointed this year.

Cornforth Consulting was engaged during the year to help identify a potential new Director in advance of Mr Paling's retirement from the Board at the conclusion of this year's Annual General Meeting. Cornforth Consulting has no other connection with the Company or its Directors.

The Committee identified the skills and experience that would be required, and candidates were interviewed from a shortlist of names provided by Cornforth Consulting. Mr Sam Davis was identified as the preferred candidate due to his experience of working in Japan and his financial and investment background. Sam was appointed to the Board on 1 October 2021.

Performance Evaluation

An appraisal of the Chairman, each Director and a performance evaluation and review of the Board as a whole and its Committees was carried out during the year. After inviting each Director and the Chairman to consider and respond to an evaluation questionnaire, each Director met with the Chairman and the Chairman's appraisal was led by Mr M Paling, the Senior Independent Director. The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and its Committees. Following this process it was concluded that the performance of each Director, the Chairman, the Board and its Committees continues to be effective and that each Director and the Chairman remain committed to the Company.

A review of the Chairman's and the other Directors' commitments was carried out and the Nomination Committee is satisfied that they are capable of devoting sufficient time to the Company. There were no significant changes to the Chairman's other commitments during the year.

Induction and Training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. Briefings were provided during the year on regulatory matters. 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 36 and 37.

Audit Committee

The report of the Audit Committee is set out on pages 34 and 35.

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 Controls at a Service Organisation. 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 in the 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 acts as the Company's Depositary, and Baillie Gifford & Co Limited as 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. As explained on page 27, the Company's Depositary also acts as the Company's Custodian. The Custodian prepares a report on its key controls and safeguards which is independently reviewed by KPMG LLP. 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 are investigated.

The Depositary provides the Audit Committee with a report on its monitoring activities twice a year.

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 65), 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 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, including its Covid-19 guidance, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern and specifically in the context of the Covid-19 pandemic.

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 19 to the Financial Statements. The Board has considered severe but plausible downside scenarios, including the impact of heightened market volatility during the Covid-19 pandemic, through the performance of stress testing using a variety of parameters which have the potential to impact the Company's share price and net asset value. The Directors do not believe the Company's going concern status is affected. In addition, the Company is subject to an annual continuation vote which in previous years has been passed with a significant majority. The Directors have no reason to believe that the vote will not continue to be in favour based on their assessment of the Company's performance and the views collated from shareholders. For these reasons the Directors have prepared the Financial Statements on a going concern basis. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing 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. The Company's third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditor and Broker are not experiencing significant operational difficulties affecting their respective services to the Company.

In accordance with the Company's Articles of Association, shareholders have the right to vote annually at the Annual General Meeting on whether to continue the Company. The Directors have no reason to believe that the continuation resolution will not be passed at the Annual General Meeting.

Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal risks and other matters including the Covid-19 pandemic set out in the Viability Statement on page 10, which assesses the prospects of the Company over a period of five years, that the Company will meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these Financial Statements. If the continuation resolution is not passed, the Articles provide that the Directors shall convene a General Meeting within three months at which a special resolution will be proposed to wind up the Company voluntarily. If the Company is wound up, its investments may not be realised at their full market value.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders and their representatives, accompanied by the Chairman when requested and report shareholders' views to the Board. The Chairman is available to meet with shareholders as appropriate. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the Company's registered office or through the Company's broker, Investec Bank plc (see contact details on back cover).

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 **japantrustplc.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 from the Managers' website at **japantrustplc.co.uk**.

On behalf of the Board
J Keith R Falconer
Chairman
13 October 2021

Audit Committee Report

The Audit Committee consists of all Directors with the exception of Mr Falconer. Mrs Brown is Chair of the Audit Committee. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. 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 **japantrustplc.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.

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

Main Activities of the Committee

The Committee met twice during the year and KPMG LLP, the external Auditor, attended both meetings. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes for these meetings.

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;
- 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 environment;
- the appointment/reappointment, remuneration and terms of engagement 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 audit process;
- the need for the Company to have its own internal audit function;
- the investment management agreement including the investment management fee;
- the internal controls reports received from the Managers and Custodian; 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 control systems and the internal audit function in place within the Investment 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 areas of risk likely to impact the Financial Statements are the existence and valuation of investments, as they represent 96.0% of total assets. Another area of risk considered by the Committee is the accuracy and completeness of income from investments.

All of the investments are quoted securities and market prices are readily available from independent external pricing sources. The Committee reviewed the Managers' Report on Internal Controls which details the controls in place regarding recording and pricing of investments, accurate recording of investment income and the reconciliation of investment holdings to third party data.

The value of all the investments at 31 August 2021 were agreed by the Auditor to external price sources and the portfolio holdings agreed to confirmations from the Company's Custodian.

The Committee reviewed the Managers' Report on Internal Controls which details the controls in place regarding completeness and accurate recording of investment income. The accounting treatment of each special dividend received or receivable during the year was reviewed by the Managers and the external auditors.

The Committee considered the factors, including the impact of the Covid-19 pandemic, that might affect the Company's viability over a period of five years and its ability to continue as a going concern for at least twelve months from the date of signing of the Financial Statements, together with reports from the Managers on the cash position and cash flow projections of the Company, the liquidity of its investment portfolio, compliance with debt covenants, availability of borrowing facilities, and the Company's ability to meet its obligations as they fall due. The Committee also reviewed the Viability Statement on page 10 and statement on Going Concern on page 32 including the potential impact of Covid-19. Following this assessment, the Committee recommended to the Board the appropriateness of the Going Concern basis in preparing the Financial Statements and confirmed the accuracy of the Viability Statement and statement on Going Concern.

The Managers and Auditor 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 31 and 32. No significant weaknesses were identified in the year under review.

External Auditor

To fulfil its responsibility regarding the independence and objectivity 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 its independence; and
- the extent of non-audit services provided by the external Auditor. The Auditor will not provide any non-audit services unless approved by the Committee. There were no non-audit fees for the year to 31 August 2021 or 31 August 2020.

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

- the Auditor's fulfilment of the agreed audit plan;
- feedback from the Managers on the performance of the audit team; and
- the Audit Quality Inspection Report from the FRC.

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 strategy;
- the audit fee; and
- a report from the Auditor on the conclusion of the audit.

KPMG LLP was appointed as the Company's Auditor at the Annual General Meeting held on 30 November 2017. 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 Waterson, the current partner, will continue as audit partner until the conclusion of the 2022 audit. In accordance with regulations in relation to the statutory audits of listed companies, the Company is required to put the audit out to tender for the 2028 year end.

KPMG LLP has confirmed that it believes it is 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.

The audit fee has increased from £30,000 to £37,500. There continues to be significant change in the regulatory environment with additional audit procedures now being required. The Committee considered the increase by benchmarking fees for similar trusts and agreed the increase was justified.

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

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 36 to 43.

On behalf of the Board
Sharon Brown
Audit Committee Chair
13 October 2021

Directors' Remuneration Report

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

Statement by the Chairman

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 was last approved by shareholders in December 2020.

The Board reviewed the level of fees during the year and it was agreed that, with effect from 1 September 2021, the Chairman's fee would be increased from £36,000 to £37,000, the other Directors' fees would be increased from £26,000 to £27,000 and that the additional fee for the Chairman of the Audit Committee would be increased from £3,500 to £4,000. The fees were last increased on 1 September 2018.

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.

Limits on Directors' Remuneration

The fees for the non-executive Directors are payable six monthly in arrears and are determined within the limit set out in the Company's Articles of Association which is currently £200,000 per annum in aggregate.

The fees paid to Directors in respect of the year ended 31 August 2021 and the expected fees payable in respect of the year ending 31 August 2022 are set out in the table below. 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 year ending 31 Aug 2022 £	Fees as at 31 Aug 2021 £
Chairman's fee	37,000	36,000
Non-executive Director fee	27,000	26,000
Additional fee for Chair of the Audit Committee	4,000	3,500
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	200,000	200,000

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 the Independent Auditor's Report on pages 39 to 43.

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	2021 Fees £	2021 Taxable benefits* £	2021 Total £	Rolling % change since 2019	2020 Fees £	2020 Taxable benefits* £	2020 Total £
JKR Falconer (appointed Chairman on 5 December 2019)	36,000	–	36,000	10.5	34,346	–	**34,346**
S Brown (appointed Audit Chair on 5 December 2019)	29,500	–	29,500	11.0	26,389	177	**26,566**
DP Kidd	26,000	–	26,000	(1.5)	26,000	1,776	**27,776**
MH Paling	26,000	–	26,000	(2.8)	26,000	2,057	**28,057**
JB Pitman	26,000	–	26,000	(2.9)	26,000	1,456	**27,456**
NAC Bannerman (retired 5 December 2019)	–	–	–	–	9,554	439	**9,993**
	143,500	**–**	**143,500**	**2.5**	**148,289**	**5,905**	**154,194**

* Comprises expenses incurred by Directors in the course of travel to attend Board and Committee meetings held at the Edinburgh Offices of Baillie Gifford & Co Limited, the Company's Secretaries.

Directors' Interests (audited)

The Directors at the end of the year under review, and their interests in the Company, are shown in the following table. There have been no changes intimated in the Directors' interests up to 12 October 2021.

Name	Nature of interest	Ordinary 5p shares held at 31 August 2021	Ordinary 5p shares held at 31 August 2020
JKR Falconer	Beneficial	8,000	8,000
S Brown	Beneficial	3,995	3,995
DP Kidd	Beneficial	37,500	32,500
MH Paling	Beneficial	10,000	10,000
JB Pitman	Beneficial	5,262	5,262

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, 99.8% were in favour, 0.1% were against and votes withheld were 0.1%, of the proxy votes received in respect of the Directors' Remuneration Policy, 99.8% of the proxy votes received were in favour, 0.1% were against and 0.1% were withheld.

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. As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders.

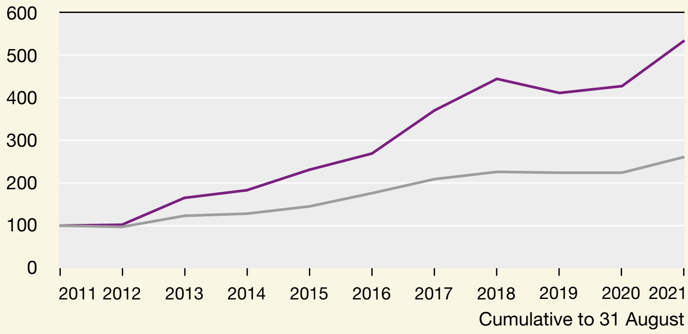
	2021 £'000	2020 £'000	% Change
Directors' remuneration	143	148	(3.4)
Dividends paid to shareholders	4,134	3,235	27.8

Company Performance

The following graph compares the share price total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total shareholder return on a notional investment made up of shares in the component parts of the TOPIX total return (in sterling terms). 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.

Performance Graph

(figures rebased to 100 at 31 August 2011)



Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 65.

Baillie Gifford Japan's share price

TOPIX total return (in sterling terms)

All figures are total returns (assuming net dividends are reinvested).

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 36 and 37 was approved by the Board of Directors and signed on its behalf on 13 October 2021.

J Keith R Falconer
Chairman

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the 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 applicable law and 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 the profit or loss of the Company for that year. In preparing these Financial Statements, the Directors are required to:

— select suitable accounting policies and then apply them consistently;

— state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;

— make judgements and accounting estimates that are reasonable and prudent;

— 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 the 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 laws 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 the maintenance and integrity of the Company's page on the Managers' 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 to the best of our knowledge:

— the Financial Statements, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

— the Strategic 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 it faces.

We consider 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 performance, business model and strategy.

On behalf of the Board
J Keith R Falconer
13 October 2021

KPMG

Independent auditor's report

to the members of The Baillie Gifford Japan Trust plc.

1. Our opinion is unmodified

We have audited the financial statements of The Baillie Gifford Japan Trust plc. ("the Company") for the year ended 31 August 2021 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

— give a true and fair view of the state of the Company's affairs as at 31 August 2021 and of its return for the year then ended;

— have been properly prepared in accordance with UK accounting standards, including FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of* Ireland; 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 are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 30 November 2017. The period of total uninterrupted engagement is for the four financial years ended 31 August 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Financial statements as a whole	£11.0m (2020:£9.2m) 1% (2020: 1%) of Total Assets	
Key audit matters		**vs 2020**
Recurring risks	Carrying amount of quoted investments	◄►

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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. We summarise below the key audit matter (unchanged from 2020) in arriving at our audit opinion above, together with our key audit procedures to address the matter and our findings from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. This matter was addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

	The risk	Our response
Carrying amount of quoted investments (£1,053.7 million; 2020: £805.4 million) *Refer to page 34 (Audit Committee Report), page 48 (accounting policy) and note 9 on page 51 (financial disclosures).*	**Low risk, high value:** The Company's portfolio of quoted investments makes up 95.8% (2020: 87.0%) of the Company's total assets (by value) and is one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	We performed the detailed tests below rather than seeking to rely on any of the Company's controls, because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described below. Our procedures included: — **Test of detail:** Agreeing the valuation of 100% of quoted investments in the portfolio to externally quoted prices; and — **Enquiry of custodians:** Agreeing 100% of quoted investment holdings in the portfolio to independently received third party confirmations from investment custodians. **Our findings** We found no differences (2020: no differences) from the third party holdings confirmations nor from the externally quoted prices of a size to require reporting to the audit committee.

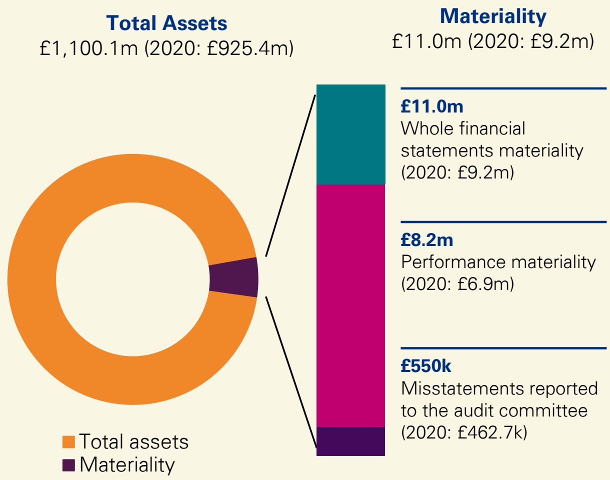
3. Our application of materiality and an overview of the scope of our audit

Materiality for the financial statements as a whole was set at £11.0m (2020: £9.2m), determined with reference to a benchmark of total assets, of which it represents 1% (2020: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2020: 75%) of materiality for the financial statements as a whole, which equates to £8.2m (2020: £6.9m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £550k (2020: £462.7k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.



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4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources and its ability to operate over this period were:

— the impact of a significant reduction in the valuation of investments and the implications for the Company's debt covenants;

— the liquidity of the investment portfolio and its ability to meet the liabilities of the Company as and when they fall due; and

— the operational resilience of key service organisations.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Company's liquid investment position (a reverse stress test).

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

— We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

— We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period;

— We have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and

— The related statement under the Listing Rules set out on page 32 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

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5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

— enquiring of Directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;

— assessing the segregation of duties in place between the Directors, the Administrator and the Company's Investment Manager; and

— reading Board and Audit Committee minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular to the risk that management may be in a position to make inappropriate accounting entries. We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

We substantively tested all material post-closing entries and, based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is non-judgemental and straightforward, with limited opportunity for manipulation. We did not identify any additional fraud risks.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors, the Investment Manager and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and its qualification as an Investment Trust under UK taxation legislation, any breach of which could lead to the Company losing various deductions and exemptions from UK corporation tax, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

5. Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection, bribery and corruption legislation and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

— we have not identified material misstatements in the strategic report and the Directors' report;

— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

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

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

— the Directors' confirmation within the Viability Statement on page 10 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;

— the Principal and Emerging Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and

— the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on page 10 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

6. We have nothing to report on the other information in the Annual Report (continued)

Disclosures of emerging and principal risks and longer-term viability (continued)

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

— the Directors' statement that they consider that 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;

— the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and

— the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

— adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 38, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at:

www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

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 and the terms of our engagement by the Company. 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 the further matters we are required to state to them in accordance with the terms agreed with the Company, 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.

John Waterson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor *Chartered Accountants*
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

13 October 2021

KPMG

Income Statement

For the year ended 31 August

	Notes	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Gains on investments	9	–	147,763	147,763	–	34,676	**34,676**
Currency gains	14	–	5,560	5,560	–	6,225	**6,225**
Income	2	17,224	–	17,224	15,337	–	**15,337**
Investment management fee	3	(5,450)	–	(5,450)	(4,380)	–	**(4,380)**
Other administrative expenses	4	(668)	–	(668)	(590)	–	**(590)**
Net return before finance costs and taxation		11,106	153,323	164,429	10,367	40,901	**51,268**
Finance costs of borrowings	5	(2,047)	–	(2,047)	(2,788)	–	**(2,788)**
Net return before taxation		9,059	153,323	162,382	7,579	40,901	**48,480**
Tax on ordinary activities	6	(1,723)	–	(1,723)	(1,532)	–	**(1,532)**
Net return after taxation		7,336	153,323	160,659	6,047	40,901	**46,948**
Net return per ordinary share	7	**7.89p**	**164.97p**	**172.86p**	**6.56p**	**44.38p**	**50.94p**

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 the Company does not have any other comprehensive income and the net return after taxation is both the profit and total comprehensive income for the year.

The accompanying notes on pages 48 to 57 are an integral part of the Financial Statements.

Balance Sheet

As at 31 August

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		1,053,673		805,347
Current assets					
Debtors	10	2,111		1,322	
Cash and cash equivalents	16	44,289		118,742	
		46,400		120,064	
Creditors					
Amounts falling due within one year	11	(2,471)		(1,602)	
Net current assets			43,929		118,462
Total assets less current liabilities			**1,097,602**		**923,809**
Creditors					
Amounts falling due after more than one year	12		(142,200)		(151,420)
Net assets			**955,402**		**772,389**
Capital and reserves					
Share capital	13/14		4,717		4,621
Share premium account	14		213,902		190,939
Capital redemption reserve	14		203		203
Capital reserve	14		725,811		569,059
Revenue reserve	14		10,769		7,567
Equity shareholders' funds			**955,402**		**772,389**
Net asset value per ordinary share*	15		**1,012.8p**		**840.8p**

The Financial Statements of The Baillie Gifford Japan Trust PLC (Company registration number SC075954) on pages 44 to 57 were approved and authorised for issue by the Board and were signed on 13 October 2021.

J Keith R Falconer
Chairman

The accompanying notes on pages 48 to 57 are an integral part of the Financial Statements.

* See Glossary of Terms and Alternative Performance Measures on pages 66 and 67.

Statement of Changes in Equity

For the year ended 31 August 2021

	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 September 2020		4,621	190,939	203	569,059	7,567	772,389
Shares issued	13/14	96	22,963	–	3,429	–	26,488
Net return on ordinary activities after taxation	14	–	–	–	153,323	7,336	160,659
Dividends paid in the year	8	–	–	–	–	(4,134)	(4,134)
Shareholders' funds at 31 August 2021		**4,717**	**213,902**	**203**	**725,811**	**10,769**	**955,402**

For the year ended 31 August 2020

	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 September 2019		4,621	190,939	203	531,587	4,755	**732,105**
Shares bought back	13/14	–	–	–	(3,429)	–	**(3,429)**
Net return on ordinary activities after taxation	14	–	–	–	40,901	6,047	**46,948**
Dividends paid in the year	8	–	–	–	–	(3,235)	**(3,235)**
Shareholders' funds at 31 August 2020		**4,621**	**190,939**	**203**	**569,059**	**7,567**	**772,389**

The accompanying notes on pages 48 to 57 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 August

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation		162,382		48,480	
Net gains on investments	9	(147,763)		(34,676)	
Currency gains		(5,560)		(6,225)	
Finance costs of borrowings		2,047		2,788	
Overseas withholding tax		(1,626)		(1,565)	
Changes in debtors and creditors		(726)		326	
Cash from operations			8,754		9,128
Interest paid			(2,066)		(3,004)
Net cash inflow from operating activities			6,688		6,124
Cash flows from investing activities					
Acquisitions of investments		(199,460)		(122,053)	
Disposals of investments		99,611		171,028	
Exchange differences on settlement of investment transactions		343		(564)	
Net cash (outflow)/inflow from investing activities			(99,506)		48,411
Cash flows from financing activities					
Shares issued/(bought back)	13	26,502		(3,429)	
Equity dividends paid	8	(4,134)		(3,235)	
Bank loans drawn down		–		87,288	
Bank loans repaid		–		(51,724)	
Net cash inflow from financing activities			22,368		28,900
(Decrease)/increase in cash and cash equivalents			(70,450)		83,435
Exchange movements			(4,003)		(4,996)
Cash and cash equivalents at start of period			118,742		40,303
Cash and cash equivalents at end of period*			**44,289**		**118,742**

* Cash and cash equivalents represent cash at bank and short term money market deposits repayable on demand.

The accompanying notes on pages 48 to 57 are an integral part of the Financial Statements.

Notes to the Financial Statements

1 Principal Accounting Policies

The Financial Statements for the year to 31 August 2021 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 considered severe but plausible downside scenarios, including the impact of heightened market volatility during the Covid-19 pandemic but does not believe the Company's going concern status is affected. In addition, the Company is subject to an annual continuation vote which in previous years has been passed with a significant majority. The Directors have no reason to believe that the vote will not continue to be in favour based on their assessment of the Company's performance and the views collated from shareholders. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing 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) (Tax) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Depositary and Custodian, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company. Accordingly, the Financial Statements have been prepared on a going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters including the impact of the Covid-19 pandemic set out in the Viability Statement on page 10 which assesses the prospects of the Company over a period of five years, that the Company will meet its liabilities as they fall due 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 UK Accounting Standards and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' issued in October 2019.

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

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, see consideration in accounting policy (j), as the Company's shareholders are predominantly based in the UK, the Company pays its dividends and expenses in sterling and the Company is subject to the UK's regulatory environment and UK based.

(b) Investments

The Company's investments are classified as held at fair value through profit and loss in accordance with sections 11 and 12 of FRS 102. They are managed and evaluated on a fair value basis in accordance with the Company's investment strategy and information about the investments is provided to the Board on that basis.

Purchases and sales of investments are recognised on a trade date basis.

Investments in securities are held at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value. The fair value of listed investments is the last traded price which is equivalent to the bid price on Japanese markets. The fair value of unlisted (private company) investments is determined by the Directors based upon latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate. Changes in the fair value of investments and gains and losses on disposal are recognised as capital items in the Income Statement.

(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

(i) 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.

(ii) Special dividends are treated as repayments of capital or income depending on the facts of each particular case.

(iii) Interest from fixed interest securities is recognised on an effective yield basis (none were held in the period).

(iv) Overseas dividends include withholding tax deducted at source.

(v) Interest receivable on bank deposits is recognised on an accruals basis.

(vi) If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared 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

The taxation charge represents non-recoverable overseas taxes which is charged to the revenue account as it relates to income received. Deferred taxation is provided on all timing differences which have originated but not reversed by the Balance Sheet date, calculated on a non-discounted basis 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) 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.

(i) 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 for cancellation are also funded from this reserve.

(j) Significant Estimates and Judgements

The Directors do not believe that any accounting judgements or estimates have been applied to these accounting statements that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year. The Directors believe that there is one key judgement, being the functional currency of the Company. Although the Company invests in yen denominated investments, it has been determined that the functional currency is sterling as the entity is listed on a sterling stock exchange in the UK, and its share capital is denominated, and its expenses and dividends are paid, in sterling.

2 Income

	2021 £'000	2020 £'000
Income from investments		
Overseas dividends	17,224	15,337
Total income	**17,224**	**15,337**
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	17,224	15,337
Total income	**17,224**	**15,337**

3 Investment Management Fee – all charged to revenue

	2021 £'000	2020 £'000
Investment management fee	**5,450**	**4,380**

Details of the Investment Management Agreement are disclosed on page 27. The annual management fee is 0.75% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets, calculated and payable quarterly.

4 Other Administrative Expenses – all charged to revenue

	2021 £'000	2020 £'000
General administrative expenses	487	412
Directors' fees (see Directors' Remuneration Report on page 36)	143	148
Auditor's remuneration – statutory audit of Company's annual Financial Statements	38	30
	668	**590**

There were no fees paid to the Auditor during the year in respect of non-audit services (2020 – nil).

5 Finance Costs of Borrowings

	2021 £'000	2020 £'000
Interest on bank loans	**2,047**	**2,788**

The bank loan interest disclosed includes £277,000 (2020 – £191,000) paid in respect of yen deposits held at the custodian bank.

6 Tax on Ordinary Activities

	2021 £'000	2020 £'000
Analysis of charge in year		
Overseas taxation	**1,723**	**1,532**
Factors affecting tax charge for year		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19% (2020 – 19%)		
The differences are explained below:		
Net return on ordinary activities before taxation	162,382	48,480
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020 – 19%)	30,853	9,211
Effects of:		
Capital returns not taxable	(29,131)	(7,771)
Income not taxable	(3,273)	(2,914)
Overseas withholding tax	1,723	1,532
Taxable losses in year not utilised	1,551	1,474
Tax charge for the year	**1,723**	**1,532**

As an investment trust, the Company's capital gains are not taxable.

Factors that may affect future tax charges

At 31 August 2021 the Company had a potential deferred tax asset of £15,849,000 (2020 – £10,494,000) in respect of carried forward tax losses and disallowed interest which are potentially available for offset against future taxable profits. A deferred tax asset has not been recognised in respect of these amounts as it is considered unlikely that the Company will generate sufficient future taxable profits that the losses and disallowed interest can be utilised against (the Company is not liable to corporation tax on its capital gains). The potential deferred tax asset has been calculated using a corporation tax rate of 25% (2020 – 19%). On 3 March 2021, the UK Government announced its intention to increase the rate of UK corporation tax from 19% to 25% from 1 April 2023 and this was subsequently substantively enacted on 24 May 2021.

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to maintain that status in 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.

7 Net Return per Ordinary Share

	2021 Revenue	2021 Capital	2021 Total	2020 Revenue	2020 Capital	2020 Total
Net return on ordinary activities after taxation	**7.89p**	**164.97p**	**172.86p**	**6.56p**	**44.38p**	**50.94p**

Revenue return per ordinary share is based on the net revenue return after taxation of £7,336,000 (2020 – £6,047,000), and on 92,939,322 (2020 – 92,154,367) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

Capital return per ordinary share is based on the net capital return for the financial year of £153,323,000 (2020 – £40,901,000), and on 92,939,322 (2020 – 92,154,367) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

There are no dilutive or potentially dilutive shares in issue.

8 Ordinary Dividends

Set out below is the dividend proposed in respect of the financial year, which is the basis on which the requirements of section 1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution out of current year profits by way of dividend for the year is £7,336,000.

	2021	2020	2021 £'000	2020 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 11 December 2020)	**4.50p**	3.50p	**4,134**	3,235

	2021	2020	2021 £'000	2020 £'000
Dividends paid and payable in respect of the year:				
Current year's proposed final dividend (payable 21 December 2021)	**6.00p**	4.50p	**5,660**	4,134

9 Fixed Assets – Investments

	2021 £'000	2020 £'000
Financial assets at fair value through profit or loss		
Listed overseas – equity investments	1,053,673	805,347
Total investments in financial assets at fair value through profit or loss	**1,053,673**	**805,347**

	Listed equities £'000
Cost of investments held at 1 September 2020	581,002
Investment holding gains at 1 September 2020	224,345
Fair value of investments held at 1 September 2020	**805,347**
Movements in year:	
Purchases at cost	200,099
Sales – proceeds	(99,536)
– gains on sales	41,260
Changes in investment holding gains	106,503
Fair value of investments held at 31 August 2021	**1,053,673**
Cost of investments held at 31 August 2021	722,825
Investment holding gains at 31 August 2021	330,848
Fair value of investments held at 31 August 2021	**1,053,673**

The purchases and sales proceeds figures above include transaction costs of £62,000 (2020 – £61,000) and £50,000 (2020 – £74,000) respectively.

	2021 £'000	2020 £'000
Net gains on investments designated at fair value through profit or loss on initial recognition		
Gains on sales	41,260	114,567
Changes in investment holding gains	106,503	(79,891)
	147,763	**34,676**

Of the gains on sales during the year of £41,260,000 (2020 – £114,567,000), a net gain of £19,071,000 (2020 – net gain of £103,255,000) was included in the investment holding gains at the previous year end.

10 Debtors

	2021 £'000	2020 £'000
Income accrued and prepaid expenses	2,090	1,237
Sales for subsequent settlement	–	74
Other debtors	21	11
	2,111	**1,322**

None of the above debtors are financial assets designated at fair value through profit or loss. The carrying amount of debtors is a reasonable approximation of fair value.

11 Creditors – amounts falling due within one year

	2021 £'000	2020 £'000
Purchases for subsequent settlement	714	75
Other creditors and accruals	1,757	1,527
	2,471	**1,602**

None of the above creditors are financial liabilities designated at fair value through profit or loss. Included in other creditors is £1,389,000, (2020 – £1,137,000) in respect of the investment management fee.

12 Creditors – amounts falling due after more than one year

	2021 £'000	2020 £'000
Bank loans	**142,200**	**151,420**

Borrowing facilities

	At 31 August 2021 Drawings	At 31 August 2020 Drawings
7 year fixed rate loan facility with ING Bank N.V. for ¥9,300 million, expiring November 2024	¥9,300 million at 1.585%	¥9,300 million at 1.585%
3 year fixed rate loan facility with SMBC, Europe Limited for ¥12,200 million, expiring August 2023	¥12,200 million at 0.925%	¥12,200 million at 0.925%

The main covenants relating to the above loans are:

(i) Total borrowings shall not exceed 30% of the Company's net asset value; and

(ii) The Company's minimum net asset value shall be ¥48,545,000,000.

There were no breaches of loan covenants during the year.

13 Called-up Share Capital

	2021 Number	2021 £'000	2020 Number	2020 £'000
Authorised ordinary shares of 5p each	94,328,209	4,717	91,858,209	4,593
Treasury shares of 5p each	–	–	566,716	28
Total	**94,328,209**	**4,717**	**92,424,925**	**4,621**

The Company's authority permits it to hold shares bought back in 'treasury'. Such treasury shares may be subsequently either sold for cash (at, or at a premium to, net asset value per ordinary share) or cancelled. In the year to 31 August 2021, no shares were bought back and held in treasury (2020 – 566,716 shares with a nominal value of £28,000 were bought back at a total cost of £3,429,000 and held in treasury). At 31 August 2021 the Company had authority to buy back 35,444,433 ordinary shares.

Under the provisions of the Company's Articles the share buy-backs are funded from the capital reserve.

In the year to 31 August 2021, the Company sold from treasury 566,716 ordinary shares, at a premium to net asset value, with a nominal value of £28,335.80 raising net proceeds of £6,183,000. The Company issued a further 1,903,284 ordinary shares at a premium to net asset value raising proceeds of £20,319,000. Block listing fees of £14,000 have been allocated during the year. As at 31 August 2021 the Company had the authority to issue 7,282,536 ordinary shares.

14 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 September 2020	4,621	190,939	203	569,059	7,567	**772,389**
Shares issued	96	22,963	–	3,429	–	**26,488**
Gains on investments	–	–	–	41,260	–	**41,260**
Changes in investment holding gains	–	–	–	106,503	–	**106,503**
Exchange differences on bank loans	–	–	–	9,220	–	**9,220**
Exchange differences on settlement of investment transactions	–	–	–	343	–	**343**
Other exchange differences	–	–	–	(4,003)	–	**(4,003)**
Revenue return on ordinary activities after taxation	–	–	–	–	7,336	**7,336**
Dividends paid in the year	–	–	–	–	(4,134)	**(4,134)**
At 31 August 2021	**4,717**	**213,902**	**203**	**725,811**	**10,769**	**955,402**

The capital reserve includes investment holding gains of £330,848,000 (2020 – £224,345,000) as disclosed in note 9. The revenue reserve and the capital reserve (to the extent it constitutes realised profits) are distributable.

15 Shareholders' Funds per Ordinary Share

The net asset value per ordinary share and the net assets attributable to the ordinary shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	2021	2020
Shareholders' funds	£955,402,000	£772,389,000
Number of ordinary shares in issue at the year end*	94,328,209	91,858,209
Shareholders' funds per ordinary share	1,012.8p	840.8p

* Excluding shares held in treasury at 31 August 2020. No shares were held in treasury at 31 August 2021.

The shareholders' funds figures above have been calculated after deducting borrowings at par value, in accordance with the provisions of FRS 102. Reconciliations between shareholders' funds and NAV measures are shown in the Glossary of Terms and Alternative performance Measures on page 66.

16 Analysis of Change in Net Debt

	At 1 September 2020 £'000	Cash flows £'000	Other non-cash charges £'000	Exchange movement £'000	At 31 August 2021 £'000
Cash at bank and in hand	118,742	(70,450)	–	(4,003)	44,289
Loans due in more than one year	(151,420)	–	–	9,220	(142,200)
	(32,678)	**(70,450)**	**–**	**5,217**	**(97,911)**

17 Contingent Liabilities, Guarantees and Financial Commitments

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

18 Related Party Transactions

The Directors' fees for the year and Directors' shareholdings at 31 August 2021 are detailed in the Directors' Remuneration Report on pages 36 and 37 respectively. No Director has a contract of service with the Company.

The management fee due to Baillie Gifford and Co Limited is set out in note 3 on page 49 and the amount accrued at 31 August 2021 is set out in note 11 on page 52. Details of the Investment Management Agreement are set out on page 27.

19 Financial Instruments

The Company invests in medium to smaller sized Japanese companies 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 here 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 risk management policies and procedures outlined in this note have not changed substantially from the previous accounting period.

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 Investment Manager assesses the exposure to market risk when making individual investment decisions as well as monitoring the overall level of market risk across the investment portfolio on an ongoing basis. Details of the Company's investment portfolio are shown on pages 23 to 25.

(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 Investment Manager monitors the Company's yen exposure (and any other overseas currency exposure) and reports to the Board on a regular basis. The Investment Manager assesses 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 currency in which a company's share price is quoted is not necessarily the one in which 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 share price of 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 has the authority to use forward currency contracts to limit the Company's exposure if it so chooses to anticipated future changes in exchange rates so that the currency risks entailed in holding the assets are mainly eliminated. No forward currency contracts have been used in the current or prior year.

19 Financial Instruments (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.

At 31 August 2021	Investments £'000	Cash and cash equivalents £'000	Bank loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Total exposure to currency risk (yen)	1,053,673	44,255	(142,200)	997	956,725
Sterling	–	34	–	(1,357)	(1,323)
	1,053,673	**44,289**	**(142,200)**	**(360)**	**955,402**

* Includes net non-monetary assets of £99,000.

At 31 August 2020	Investments £'000	Cash and cash equivalents £'000	Bank loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Total exposure to currency risk (yen)	805,347	118,681	(151,420)	1,125	**773,733**
Sterling	–	61	–	(1,405)	**(1,344)**
	805,347	**118,742**	**(151,420)**	**(280)**	**772,389**

* Includes net non-monetary assets of £111,000.

Currency Risk Sensitivity

At 31 August 2021, 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 £95,672,000 (2020 – £77,373,000). A 10% weakening of sterling against the yen, with all other variables held constant, total net assets and net return on ordinary activities after taxation would have had a similar but opposite effect on the Financial Statement amounts.

(ii) Interest Rate Risk

Interest rate movements may affect the level of income receivable on cash deposits. 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 interest bearing financial assets and liabilities at 31 August 2021 is shown below.

Financial Assets

	2021 Fair value £'000	2021 Weighted average interest rate	2021 Weighted average period until maturity *	2020 Fair value £'000	2020 Weighted average interest rate	2020 Weighted average period until maturity *
Cash:						
Japanese yen	44,255	(0.40%)	n/a	118,681	(0.35%)	n/a
Sterling	34	<0.1%	n/a	61	<0.1%	n/a
	44,289			**118,742**		

* Based on expected maturity date.

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

19 Financial Instruments (continued)

(ii) Interest Rate Risk (continued)

Financial Liabilities

The interest rate risk profile of the Company's loans at 31 August was:

	2021 Book value £'000	2021 Weighted average interest rate	2021 Weighted average period until maturity	2020 Book value £'000	2020 Weighted average interest rate	2020 Weighted average period until maturity
Bank loans:						
Yen denominated	**142,200**	**1.2%**	**30 months**	**151,420**	**1.2%**	**42 months**

Interest Rate Risk Sensitivity

An increase of 100 basis points in interest rates, with all other variables held constant, would have increased the Company's total net assets and total return on ordinary activities for the year ended 31 August 2021 by £443,000 (2020 – £1,187,000). This is mainly due to the Company's exposure to interest rates on its cash balances. The Company's loans have fixed rates of interest and are therefore not considered. A decrease of 100 basis points would have had an equal but opposite effect. The Company does not hold bonds.

(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 Investment 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 23 to 25. In addition, various analyses of the portfolio by growth category, length of time held, sector and exchange listing are shown on pages 19 to 22.

110% (2020 – 104.0%) of the Company's net assets are invested in Japanese quoted equities. A 20% (2020 – 20%) increase in quoted equity valuations at 31 August 2021 would have increased total net assets and net return on ordinary activities after taxation by £210,735,000 (2020 – £161,070,000). A decrease of 20% (2020 – 20%) would have had an equal but opposite effect.

Liquidity Risk

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

The Board provides guidance to the Investment Manager as to the maximum exposure to any one holding (see Investment Policy on page 7).

The Company has the power to take out borrowings, which give it access to additional funding when required. The Company's borrowing facilities are detailed in note 12.

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

	2021 £'000	2020 £'000
In less than one year	–	–
In more than one year, but not more than five years	142,200	151,420
In more than five years	–	–
	142,200	**151,420**

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:

- where the Investment Manager makes an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question;
- 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 Depositary has delegated the custody function to Bank of New York Mellon (International) Limited. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Investment Manager monitors the Company's risk by reviewing the custodian's internal control reports and reporting its findings to the Board.

19 Financial Instruments (continued)

Credit Risk (continued)

— investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Manager. 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 Investment Manager; and

— cash is only held at banks that are regularly reviewed by the Investment Manager.

Credit Risk Exposure

The exposure to credit risk at 31 August was:

	2021 £'000	2020 £'000
Cash and cash equivalents	44,289	118,742
Debtors	1,992	1,125
	46,281	**119,867**

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 borrowings is shown below.

	2021 Book value £'000	2021 Fair* value £'000	2020 Book value £'000	2020 Fair* value £'000
Yen bank loans	**142,200**	**144,535**	**151,420**	**152,387**

* The fair value of each bank loan is calculated with reference to a Japanese government bond of comparable yield and maturity.

Capital Management

The Company does not have any externally imposed capital requirements other than the loan covenants detailed in note 12 on page 52. The capital of the Company is the ordinary share capital as detailed in note 13. It is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 7, and shares may be repurchased or issued as explained on pages 28 and 29.

Fair Value of Financial Instruments

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;

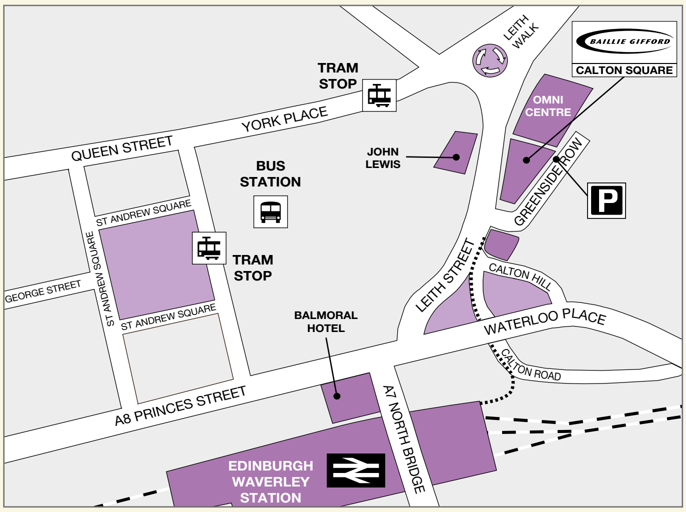
Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

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 page 48.

The financial assets designated as valued at fair value through profit or loss are all categorised as Level 1 in the above hierarchy (2020 – same). None of the financial liabilities are designated at fair value through profit or loss in the Financial Statements.

Notice of Annual General Meeting



By Rail:
Edinburgh Waverley – approximately a 5 minute walk away

By Bus:
Lothian Buses local services include:
1, 5, 7, 8, 10, 12, 14, 15, 15A, 16, 22, 25, 34

By Tram:
Stops at St Andrew Square and York Place

Access to Waverley Train Station on foot

Covid-19 pandemic – Important note regarding arrangements for the Annual General Meeting (AGM)

The Board of The Baillie Gifford Japan Trust PLC (Baillie Gifford Japan) recognises the public health risk associated with the Covid-19 pandemic arising from public gatherings and notes the Government's measures restricting such gatherings, travel and attendances at workplaces.

At the same time, the Board is conscious of the legal requirement for Baillie Gifford Japan to hold its AGM before the end of February 2022. Given the current uncertainty around when public health concerns will have abated, the Board has for the time being decided to aim to follow the Company's customary corporate timetable and, accordingly, the Company's AGM is being convened to take place at 12.30pm on Thursday 16 December 2021 at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN. At present, the Board expects to be able to welcome shareholders to the meeting. Should public health advice and Government measures change, however, arrangements will be made by the Company to ensure that the minimum number of shareholders required to form a quorum will attend the meeting in order that the meeting may proceed and the business be concluded. The Board will continue to monitor developments and any changes will be updated on the Company's website.

In the meantime, the Board encourages all shareholders to submit proxy voting forms as soon as possible and, in any event, by no later than 12.30pm on 14 December 2021.

We would encourage shareholders to monitor the Company's website at **japantrustplc.co.uk**. Should shareholders have questions for the Board or the Managers or any queries as to how to vote, 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.

Notice is hereby given that the fortieth Annual General Meeting of The Baillie Gifford Japan Trust PLC will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 16 December 2021 at 12.30pm for the following purposes.

Ordinary Business

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

1. To receive and adopt the Financial Statements of the Company for the year to 31 August 2021 with the Reports of the Directors and of the Independent Auditor thereon.
2. To approve the Directors' Annual Report on Remuneration for the year to 31 August 2021.
3. To declare a final dividend of 6.00p per ordinary share.
4. To re-elect Mr JKR Falconer as a Director.
5. To re-elect Mrs S Brown as a Director.
6. To re-elect Mr DP Kidd as a Director.
7. To re-elect Ms JB Pitman as a Director.
8. To elect Mr S Davis as a Director.
9. To re-appoint KPMG 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, pursuant to article 165 of the Articles of Association of the Company, this meeting hereby approves the continuance of the Company until the Annual General Meeting of the Company held in respect of the year to 31 August 2022.

12. 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 (the 'Act') 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 £471,641.04 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 Resolutions 13 and 14 as Special Resolutions.

13. That, subject to the passing of Resolution 12 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 pursuant to the authority given by Resolution 11 above, and to sell treasury shares 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 or treasury shares to be sold after such expiry and the Directors may allot equity securities or sell treasury shares 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 or the sale of treasury shares up to an aggregate nominal value of £471,641.04 being approximately 10% of the nominal value of the issued share capital of the Company, as at 12 October 2021.

14. 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 fully paid ordinary shares of 5 pence each in the capital of the Company ('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 14,139,798, or, if less, the number representing 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 5 pence;

(c) the maximum price (excluding expenses) which may be paid for each ordinary share shall not be more than the higher of:
    (i) 5 per cent. 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 as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy back programmes and stabilisation of financial instruments (No. 2273/2003); 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 Annual General Meeting of the Company to be held in respect of the year ending 31 August 2022, 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.

By order of the Board
Baillie Gifford & Co Limited
Managers and Secretaries
13 October 2021

Notes

1. 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 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.
2. 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 2 days (excluding non-working days) before the time of the meeting or any adjourned meeting.
3. 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.
4. 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 2 days (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.
5. 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 service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. 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.
7. 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.
8. 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 Annual General Meeting (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 2 days (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.
9. 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 Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at **japantrustplc.co.uk**.
13. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that each representative does so in relation to distinct shares.
15. As at 12 October 2021 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 94,328,209 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 94,328,209 October 2021 were 94,328,209 votes.
16. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman 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 and Transparency Rules.
17. No Director has a contract of service with the Company.

Further Shareholder Information

Baillie Gifford Japan 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 Japan, 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 of the Managers' website at **japantrustplc.co.uk**, Trustnet at **trustnet.co.uk** and on other financial websites. Monthly factsheets are also available on the Baillie Gifford website. These are available from Baillie Gifford on request.

Baillie Gifford Japan Identifiers

ISIN	GB0000485838
Sedol	0048583
Ticker	BGFD
Legal Entity Identifier	54930037AGTKN765Y741

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

Key Dates

The Annual Report and Financial Statements are normally issued in October and the AGM is normally held in November or December. Dividends will be paid by way of 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:

Cost of each ordinary share	96.548p
Cost of fraction for warrant	3.452p
	100.000p

The market value of the ordinary shares on 31 March 1982 was 15.4p. The market values on 20 November 1991 (first day of dealing of new warrants) were as follows:

Ordinary shares	120p
Warrants	26p

The above cost and market value figures have been restated for the five for one share split in November 2000.

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 3221.

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.

You can also check your holding on the Registrars' 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).

Dividend Reinvestment Plan

Computershare operates a Dividend Reinvestment Plan which can be used to buy additional shares instead of receiving your dividend via cheque or into your bank account. For further information log into **investorcentre.co.uk** and follow the instructions or telephone 0370 707 1694.

Electronic Proxy Voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at **eproxyappointment.com**.

If you have any questions about this service please contact Computershare on 0370 889 3221.

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.

Analysis of Shareholders at 31 August

	2021 Number of shares held	2021 %	2020 Number of shares held	2020 %
Institutions	15,492,219	16.4	18,428,613	20.1
Intermediaries/ Retail Savings Platforms	76,797,374	81.4	71,206,396	77.5
Individuals	1,586,063	1.7	2,091,868	2.3
Marketmakers	452,553	0.5	131,332	0.1
	94,328,209	**100.0**	**91,858,209**	**100.0**

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 **japantrustplc.co.uk**.

Cost-effective Ways to Buy and Hold Shares in Baillie Gifford Japan Trust

Information on how to invest in Baillie Gifford Japan Trust can be found at **japantrustplc.co.uk**.

Further Information

If you would like more information on any of the plans described, please contact the Baillie Gifford Client Relations Team. (See contact details on page 64).

Risks

Past performance is not a guide to future performance.

Baillie Gifford Japan is a listed UK company. As a result, the value of the shares and, any income from those shares, can fall as well as rise and investors may not get back the amount invested.

As Baillie Gifford Japan invests in overseas securities, changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

Baillie Gifford Japan has borrowed money to make further investments (sometimes known as 'gearing' or 'leverage'). The risk is that when this money is repaid by the Company, the value of the investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company's investments fall in value, any borrowings will increase the amount of this loss.

Baillie Gifford Japan can buy back its own shares. The risks from borrowing, referred to above, are increased when the Company buys back its own shares.

Market values for securities which have become difficult to trade may not be readily available, and there can be no assurance that any value assigned to such securities will accurately reflect the price the Company might receive upon their sale.

Investment in smaller companies is 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.

Baillie Gifford Japan invests in Japan and exposure to a single market and currency may increase risk.

Baillie Gifford Japan can make use of derivatives which may impact on its performance. Currently the Company does not make use of derivatives.

Charges are deducted from income. Where income is low, the expenses may be greater than the total income received, meaning the Company may not pay a dividend and the capital value would be reduced.

The aim of this Trust is to achieve capital growth. You should not expect a significant or steady annual income from the Trust.

Shareholders in Baillie Gifford Japan have the right to vote at the Annual General Meeting on whether to continue the Company, or wind it up. If the shareholders decide to wind the Company up, the assets will be sold and you will receive a cash sum in relation to your shareholding.

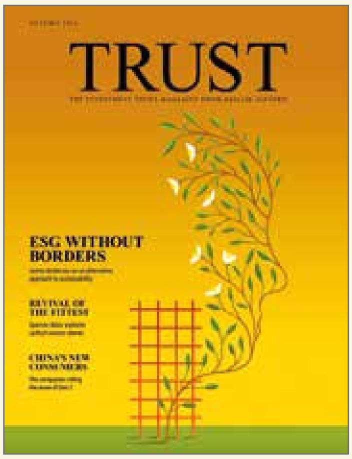
You should note that tax rates and reliefs may change at any time and their value depends on your circumstances. The favourable tax treatment of ISAs may change.

Investment Trusts are UK public listed companies and as such comply with the requirements of the UK Listing Authority. They are not authorised or regulated by the Financial Conduct Authority.

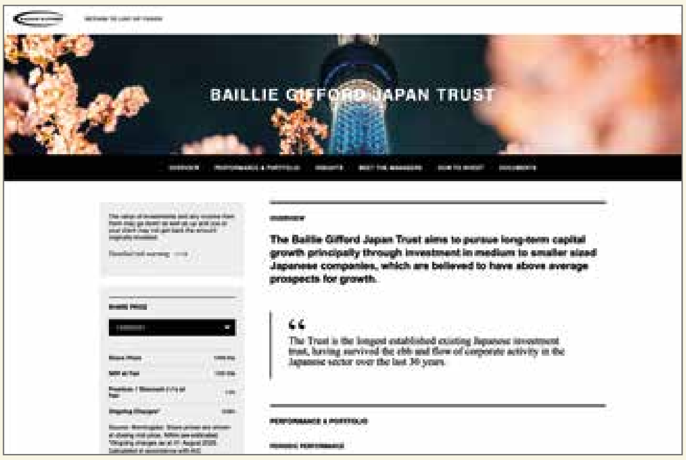
Further details of the risks associated with investing in the Company can be found at **japantrustplc.co.uk** or by calling Baillie Gifford on 0800 917 2112.

The information and opinions expressed in this document are subject to change without notice. This information has been issued and approved by Baillie Gifford & Co and does not in any way constitute investment advice.

Communicating with Shareholders



Trust Magazine



A Baillie Gifford Japan Trust web page at **japantrustplc.co.uk**

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 Japan. *Trust* plays an important role in helping to explain our products so that readers can really understand them. For a copy of *Trust*, please contact the Baillie Gifford Client Relations Team (see contact details opposite).

You can subscribe to *Trust* magazine or view a digital copy at **bailliegifford.com/trust**.

Baillie Gifford Japan on the Web

Up-to-date information about Baillie Gifford Japan, including a monthly commentary, recent portfolio information and performance figures, can be found on the Company's page of the Managers' website at **japantrustplc.co.uk**.

You can also find a brief history of Baillie Gifford Japan, an explanation of the effects of gearing and a flexible performance reporting tool.

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 Japan.

Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone, e-mail, or post:

Telephone: 0800 917 2112
Your call may be recorded for training or monitoring purposes.

E-mail: trustenquiries@bailliegifford.com
Website: bailliegifford.com

Client Relations Team
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

UK Alternative Investment Fund Managers (AIFM) Regulations

In accordance with the UK 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 Directive, the AIFM remuneration policy is available at **bailliegifford.com** or on request (see contact details on the back cover). The numerical remuneration disclosures in respect of the AIFM's reporting period (year ended 31 March 2021) are available at **bailliegifford.com**.

The Company's maximum and actual leverage (see Glossary of Terms and Alternative Performance Measures on pages 66 and 67) levels at 31 August 2021 are shown below:

Leverage

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.14:1	1.14:1

Automatic Exchange of Information

In order to fulfil its obligations under UK Tax Legislation relating to the automatic exchange of information, the Company 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. As an affected company, The Baillie Gifford Japan Trust 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.

All 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/government/publications/exchange-of-information-account-holders**.

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.

Benchmark

The Benchmark for the Trust where stated within the Annual Report is the TOPIX total return (in sterling terms).

Glossary of Terms and Alternative Performance Measures (APM)

Total Assets

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 Par Value)

Borrowings are valued at their nominal par value. Par value approximates to amortised cost. The Company's yen denominated loans are valued at their sterling equivalent.

Net Asset Value (Borrowings at Fair Value) (APM)

Borrowings are valued at an estimate of their market worth. The Company's yen denominated loans are fair valued with reference to Japanese government bonds of comparable yield and maturity. The value of the borrowings on this basis is set out in note 15 on page 53. A reconciliation from Net Asset Value (with borrowings at par value) to Net Asset Value per ordinary share (with borrowings at fair value) is provided below.

	31 August 2021	**31 August 2020**
Net Asset Value per ordinary share (borrowings at par value)	1,012.8p	840.8p
Shareholders' funds (borrowings at par value)	£955,402,000	£772,389,000
Add: par value of borrowings	£142,200,000	£151,420,000
Less: fair value of borrowings	£144,535,000	(£152,387,000)
Shareholders' funds (borrowings at fair value)	£953,067,000	£771,422,000
Shares in issue at year end	94,328,209	91,858,209
Net Asset Value per ordinary share (borrowings at fair value)	1,010.4p	839.8p

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 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 August 2021	**31 August 2020**
Net asset value per share (borrowings at fair value)	(a)	1,010.4p	839.8p
Share price	(b)	1,022.0p	817.0p
Premium/(discount)	((b) – (a)) ÷ (a)	**1.1%**	**(2.7%)**

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.

		2021 NAV (fair)	**2021 NAV (par)**	**2021 Share Price**	**2020 NAV (fair)**	**2020 NAV (par)**	**2020 Share Price**
Closing NAV per share/share price	(a)	1,010.4p	1,012.8p	1,022.0p	839.8p	840.8p	817.0p
Dividend adjustment factor*	(b)	1.0046	1.0046	1.0046	1.0043	1.0042	1.0044
Adjusted closing NAV per share/share price	(c) = (a) x (b)	1,015.0p	1,017.5p	1,026.7p	843.4p	844.4p	820.6p
Opening NAV per share/share price	(d)	839.8p	840.8p	817.0p	789.3p	792.1p	791.0p
Total return	((c) ÷ (d)) –1	**20.9%**	**21.0%**	**25.7%**	**6.8%**	**6.6%**	**3.7%**

* The dividend adjustment factor is calculated on the assumption that the dividend of 4.50p (2020 – 3.50p) paid by the Company during the year was invested 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).

		2021 £'000	2020 £'000
Investment management fee		5,450	4,380
Other administrative expenses		668	590
Total expenses	(a)	**6,118**	**4,970**
Average net asset value (borrowings at fair value)	(b)	£931,054	734,140
Ongoing charges	(a) ÷ (b) expressed as a percentage	**0.66%**	**0.68%**

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. The level of gearing can be adjusted through the use of derivatives which affect the sensitivity of the value of the portfolio to changes in the level of markets.

Gearing is the Company's borrowings at par less cash and cash equivalents expressed as a percentage of shareholders' funds.

Potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

		2021		2020	
		Gearing * £'000	Potential Gearing ** £'000	Gearing * £'000	Potential Gearing ** £'000
Borrowings	(a)	142,200	142,200	151,420	151,420
Cash and cash equivalents	(b)	44,289	–	118,742	–
Shareholders' funds	(c)	955,402	955,402	772,389	772,389
		9.8%	**14.3%**	**4.2%**	**19.6%**

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

** Potential gearing: (a) divided by (c), expressed as a percentage.

Leverage (APM)

For the purposes of the UK 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 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.

		2021		2020	
		Gross method £'000	Commitment method £'000	Gross method £'000	Commitment method £'000
Borrowings		142,200	142,200	151,420	151,420
Sterling cash		–	34	–	61
	(a)	**142,200**	**142,166**	**151,420**	**151,359**
Shareholders' funds	(b)	955,402	955,402	772,389	772,389
Leverage	((a) + (b)) ÷ (b) expressed as a ratio	**1.14:1**	**1.14:1**	**1.20:1**	**1.20:1**

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.

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