THE BAILLIE GIFFORD JAPAN TRUST PLC

Annual Report and Financial Statements
31 August 2022

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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.

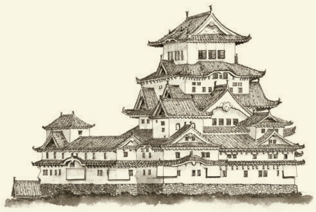


Illustration:
Hakuro-jō (White Egret) Castle at Himeji.

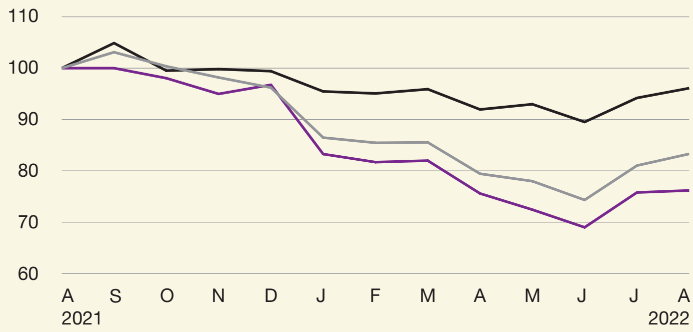
The Baillie Gifford Japan Trust PLC aims to achieve long term capital growth principally through investment in medium to smaller sized Japanese companies which are believed to have above average prospects for growth.

Financial Highlights – Year to 31 August 2022

Net Asset Value Total Return†	Share Price Total Return†	Benchmark* Total Return†
-16.3%	-23.8%	-3.9%
2021: +21.0%	2021: +25.7%	2021: +16.3%

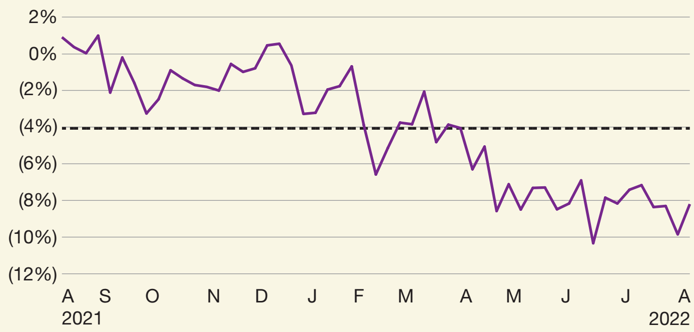
NAV, Share Price and Benchmark Total Return
(figures rebased to 100 at 31 August 2021)

Share price†
NAV†#
Benchmark*



Premium/(discount) to Net Asset Value
(figures plotted on a weekly basis)

Premium/(discount)†#
Average discount#



* The benchmark is the TOPIX total return (in sterling terms).
† Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 57 and 58.
\# Net asset value per share and premium/(discount) are shown after deducting borrowings at par value. Prior year figures have been restated at par rather than fair value for presentational purposes.
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 comprises pages 2 to 24 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

Introduction

With great sadness, the Board notified shareholders in May of the sudden death of Keith Falconer. Keith joined the Board in 2014 and was appointed Chairman in 2019. He was an effective and widely admired Chairman who will be much missed by the Board and the Managers.

I was appointed interim Chairman in May and then Chairman of the Company in June.

Performance

In the year to 31 August 2022 the net asset value total return was -16.3%. As market sentiment deteriorated, the Company's shares moved to a discount to NAV, leading to a share price total return of -23.8%. The benchmark total return was -3.9% over the same period.

The Company's objective is to achieve long term capital growth, and the NAV returns over longer time periods remain ahead of the benchmark.

Compound annual returns to end August	5 years (%)	10 years (%)
Net asset value total return	4.2	14.5
Share price total return	1.7	14.7
TOPIX total return (in sterling)	3.7	9.9

Source: Refinitiv, debt at par value.

Gearing and Borrowing

The Board believes that borrowing will enhance returns to investors over the long-term. Net gearing rose from 9.8% to 17.5% over the year to 31 August 2022. This reflected several factors. Firstly, as share prices fell, the Managers used gearing to invest in companies where they saw significant upside. Details of the portfolio changes are contained in the Managers' Report. The Company entered into a new revolving credit facility with Mizuho Bank for ¥2,600 million to provide additional flexibility for the Managers to take advantage of investment opportunities. Additionally, the net asset value fell over the year, which contributed to an increase in the gearing level in percentage terms.

Dividend

The Board is recommending a dividend of 9p per share, an increase of 50% on last year's 6p. This will be put to shareholders for approval at the Annual General Meeting to be held on 15 December 2022 and, if approved, will be paid on 21 December to shareholders on the register at close of business on 11 November 2022. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to re-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 2022.

Share Capital and Discount Management

Over the course of the year, the share price moved from a 0.9% premium to NAV to an 8.1% discount to NAV. During this period, the Company bought back 428,750 shares at a total cost of approximately £3.3m. These shares are held in Treasury and are available to be reissued, at a premium, when market conditions allow.

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. This authority would expire at the conclusion of the Annual General Meeting in 2023.

Annual General Meeting

The Company's AGM is scheduled to take place on 15 December 2022 at Baillie Gifford's offices in Edinburgh. Last year, the Board announced and fully intended to hold a physical meeting but, given uncertainty caused by Covid-19, reverted to a purely administrative meeting held at the Managers' offices, limiting attendance to those required for a quorum.

We very much hope that this year circumstances will permit us to meet the Company's shareholders in person. Nevertheless, given that Covid-19 remains in circulation and new variants may present new challenges, the Board encourages all shareholders to exercise their votes on the AGM resolutions by completing and submitting a form of proxy. We recommend that shareholders monitor the Company's website at japantrustplc.co.uk where any updates will be posted. 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 call 0800 917 2112.

Information on the resolutions can be found on pages 59 and 60 of the Annual Report and Financial Statements. The Directors consider that all resolutions to be put to shareholders are in their and the Company's best interests as a whole and recommend that shareholders vote in their favour.

Past performance is not a guide to future performance.

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 outlook for the Japan Trust. To that end, my fellow Directors and I intend to vote our own shareholdings in favour of the resolution and hope that shareholders will feel disposed to do likewise.

Board

The Board undertook an external evaluation during the year and has considered its balance of skills. Further information is contained in the Governance Report on page 30.

Joanna Pitman was appointed as the Company's Senior Independent Director in June, and in 2023 the Company intends to recruit an additional independent non-executive Director using the services of an independent recruitment consultant. Shareholders will be updated when a candidate has been appointed.

Outlook

There is a great deal of uncertainty facing investors at present. This concerns not only the global prospects for inflation, interest rates and bond yields but also the impact of these and other factors on the short-term prospects for your trust's investments.

After the disappointing absolute and relative performance over the past 12 months, the Board is optimistic that the long-term stock-picking skills of the Managers will return to the fore.

David Kidd
Chairman
18 October 2022

Past performance is not a guide to future performance.

One Year Summary

The following information illustrates how the Company has performed over the year to 31 August 2022. The net asset value total return was -16.3%, underperforming the Company's benchmark total return which was -3.9%.

	31 August 2022	31 August 2021	% change
Total assets (before deduction of bank loans)#	£940.4m	£1,097.6m	
Bank loans	£149.4m	£142.2m	
Shareholders' funds	£791.0m	£955.4m	
Net asset value per share#†	842.4p	1,012.8p	(16.8)
Share price	774.0p	1,022.0p	(24.3)
(Discount)/premium#†	(8.1%)	0.9%	
Revenue earnings per ordinary share	11.31p	7.89p	
Dividend payable in respect of the financial year	9.00p	6.00p	50.0
Ongoing charges#	0.66%	0.66%	
Yen/sterling exchange rate	161.3	151.2	6.7
Active share#	82%	81%	

Year to 31 August (%)	2022	2021
Total returns#		
Net asset value per share†	(16.3)	21.0
Share price	(23.8)	25.7
TOPIX (in sterling terms)*	(3.9)	16.3

Year to 31 August	2022	2022	2021	2021
Year's high and low	**High**	**Low**	**High**	**Low**
Net asset value per share#†	1,105.7p	707.6p	1,082.3p	842.9p
Share price	1,106.0p	662.0p	1,132.0p	823.0p
Premium/(discount)#†	2.3%	(9.6%)	5.6%	(10.2%)

	31 August 2022	31 August 2021
Net return per ordinary share		
Revenue	11.31p	7.89p
Capital	(176.19p)	164.97p
Total	(164.88p)	172.86p

* 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 57 and 58.

† Net asset value per share and premium/(discount) are shown above after deducting borrowings at par value. Prior year figures have been restated at par rather than fair value for presentational purposes.

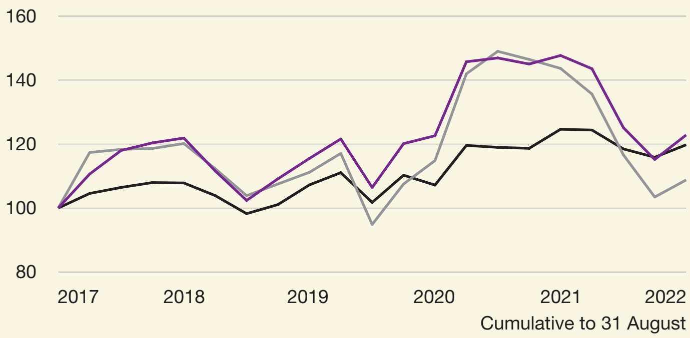
Five Year Summary

Net asset value total return has increased by an average of 4.2% in each of the last 5 years, outperforming the Company's benchmark which has increased by 3.7% per annum.

The following charts indicate how an investment in Baillie Gifford Japan has performed relative to its benchmark* over the five year period to 31 August 2022.

5 Year Total Return Performance

(figures rebased to 100 at 31 August 2017)



Source: Refinitiv/Baillie Gifford.

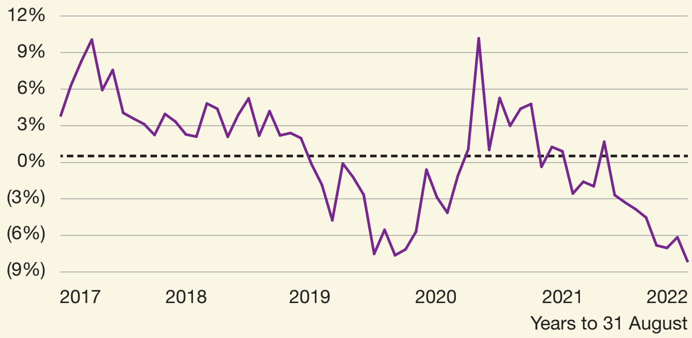
NAV total return (at par)†#

Share price total return†

Benchmark total return*†

Premium/(Discount) to Net Asset Value

(figures plotted on a monthly basis)



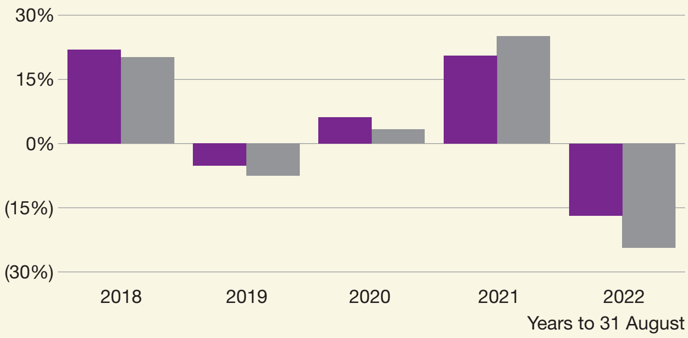
Source: Refinitiv/Baillie Gifford

Baillie Gifford Japan premium/(discount)†

Baillie Gifford Japan average premium/(discount)†

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

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

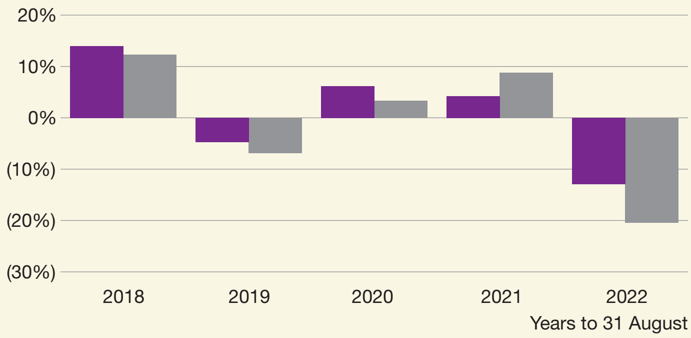


Source: Refinitiv/Baillie Gifford.

NAV total return†#

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 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 57 and 58.

\# Prior year figures have been restated at par rather than fair value for presentational purposes.

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 2022. Net asset value total return has increased by an average of 14.5% in each of the last 10 years, outperforming the Company's benchmark which has increased by 9.9% per annum.

Capital

At 31 August	Total assets * £'000	Bank loans £'000	Shareholders' funds £'000	Net asset value per ordinary share (par) † p	Share price p	Premium/ (discount) †# %
2012	163,131	28,544	134,587	217.3	197.0	(9.3)
2013	245,954	35,579	210,375	323.5	317.9	(1.7)
2014	290,447	41,733	248,714	358.7	352.3	(1.8)
2015	377,879	54,726	323,153	430.2	444.8	3.4
2016	500,291	75,294	424,997	539.8	517.5	(4.1)
2017	657,721	82,500	575,221	685.8	711.5	3.7
2018	870,590	114,486	756,104	835.8	855.0	2.3
2019	859,746	127,641	732,105	792.1	791.0	(0.1)
2020	923,809	151,420	772,389	840.8	817.0	(2.8)
2021	1,097,602	142,200	955,402	1,012.8	1,022.0	0.9
2022	**940,413**	**149,407**	**791,006**	**842.4**	**774.0**	**(8.1)**

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 † %
2012	3,251	777	1.25	–	1.20
2013	3,177	141	0.22	–	1.13
2014	3,746	322	0.47	–	0.89
2015	4,316	199	0.28	–	0.90
2016	7,090	1,823	2.35	–	0.87
2017	8,480	2,235	2.80	–	0.77
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
2022	**20,075**	**10,661**	**11.31**	**9.00**	**0.66**

Gearing Ratios

Gearing † %	Potential gearing † %
19	21
16	17
15	17
14	17
17	18
13	14
11	15
12	17
4	20
10	15
18	**19**

Cumulative Performance (taking 2012 as 100)

At 31 August	Net asset value per share total return †#	Share price total return †	Benchmark total return ¶	Net asset value per share total return % change †#	Share price total return % change †	Benchmark total return % change ¶
2012	100	100	100			
2013	149	161	127	49.8	61.4	26.7
2014	165	179	131	10.9	10.8	3.7
2015	198	226	149	19.9	26.3	13.4
2016	248	263	181	25.5	16.4	21.5
2017	316	361	215	27.0	37.5	18.8
2018	385	434	232	21.9	20.2	7.8
2019	365	402	231	(5.2)	(7.4)	(0.6)
2020	387	415	230	6.6	3.7	(0.1)
2021	466	519	268	21.0	25.7	16.3
2022	388	393	258	(16.3)	(23.8)	(3.9)
Compound annual returns						
5 year	4.2%	1.7%	3.7%			
10 year	14.5%	14.7%	9.9%			

* See Glossary of Terms and Alternative Performance Measures on pages 57 and 58.

† Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 57 and 58.

¶ The benchmark is the TOPIX total return (in sterling terms). Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 65.

Prior year figures have been restated at par rather than fair value for presentational purposes.

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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 17 to 22 and in the Managers' Report and Review of Investments on pages 13 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

	Net asset value total return %	Benchmark total return %	Percentage point relative return
2018	21.9	7.8	14.1
2019	(5.2)	(0.6)	(4.6)
2020	6.6	(0.1)	6.7
2021	21.0	16.3	4.7
2022	(16.3)	(3.9)	(12.4)

The movement in share price total return

	Share price total return %	Benchmark total return %	Percentage point relative return
2018	20.2	7.8	12.4
2019	(7.4)	(0.6)	(6.8)
2020	3.7	(0.1)	3.8
2021	25.7	16.3	9.4
2022	(23.8)	(3.9)	(19.9)

The premium/(discount) of the share price to the net asset value per share

	Premium/(discount) %
2018	2.3
2019	(0.1)
2020	2.8
2021	0.9
2022	(8.1)

Ongoing charges

	Ongoing charges %
2018	0.73
2019	0.70
2020	0.68
2021	0.66
2022	0.66

* Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 57 and 58.

Key Performance Indicators (continued)

An explanation of these measures can be found in the Glossary of Terms and Alternative Measures on pages 57 and 58. The one, five and ten year records for 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 2022 were ¥24.1 billion (2021 – ¥21.5 billion) and are detailed in notes 11 and 12 on page 51.

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 30 and 31 there is an ongoing process for identifying, evaluating and managing the risks, including emerging 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. 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 the current global economic environment to be factors which exacerbate existing risks, rather than new emerging risks. Their impact is considered within the relevant risks.

Risk and Impact	How the risk is managed	Current assessment of risk
Investment and Strategic Risk		
Financial Risk Impact: 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 53 to 56. The Board has, in particular, considered the impact of heightened market volatility resulting from the ongoing Covid-19 pandemic and the Russian invasion of Ukraine. 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 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.	↑ **Increasing:** This risk is seen as increasing due to increased volatility as a result of the Russian invasion of Ukraine, increasing energy prices and inflation rates. The Covid-19 pandemic continues to have an impact on the global economic environment.
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.	→ **Stable**: controls are working effectively with no change during the current year.

Principal and Emerging Risks (continued)

Risk and Impact	How the risk is managed	Current assessment of risk
Investment and Strategic Risk (continued)		
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.	**Increasing:** The Company's shares moved from a premium to a discount during the year.
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.	**Increasing:** Due to increased market volatility resulting from the Russian invasion of Ukraine share prices may be subject to greater volatility.
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 stewardship and engagement policies application, which is integrated into the investment process, as well as the extensive upfront and ongoing due diligence which the Investment Manager undertakes on each investee company. This includes the risk inherent in climate change (see page 23).	**Stable:** The Investment Manager continues to employ strong ESG stewardship and engagement policies.
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 57 and 58.	**Increasing:** This risk is seen as increasing due to global falls in company valuations.
External Risks		
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.	**Stable:** All control procedures are working effectively. There have been no material regulatory changes that have impacted the Trust during the year.

Principal and Emerging Risks (continued)

Risk and Impact	How the risk is managed	Current assessment of risk
External Risks (continued)		
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 and are regularly discussed at Board meetings.	**Increasing:** This risk is increasing as Governments and consumers around the world continue to assess the impact of the Russian invasion of Ukraine, including sanctions applied in response, increasing energy prices as well as the ongoing assessment of the longer term impacts of the Covid-19 pandemic.
Operational Risks		
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.	**Stable:** Control procedures working effectively. During the pandemic the Depositary and Custodian moved seamlessly to working remotely and all regulatory and administrative tasks continued uninterrupted.
Reliance on Third party Service Provider 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. 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.	**Stable:** Control procedures working effectively. During the pandemic the Depositary and Custodian moved seamlessly to working remotely and all regulatory and administrative tasks continued uninterrupted.
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 reports 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.	**Increasing:** Increasing risk due to recent indications that developments relating to the Russian invasion of Ukraine could lead to cyber attacks. Also, due to the ongoing Covid-19 pandemic, service providers continue to use a hybrid approach of remote and office working, thereby retaining a higher potential of a cyber security threat.

Emerging Risks

As explained on pages 30 to 31 the Board has regular discussions on principal and emerging risks, 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 or the Russian invasion of Ukraine, 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 war in Ukraine or the Covid-19 pandemic. The Directors have also considered the ¥2,600 million revolving loan facility with Mizuho Bank and the 3 year fixed rate loan facility with SMBC which expires in August 2023, as this falls to expire within 12 months of the Company's year end is now classed as a current liability. 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.

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, financial controls and, notwithstanding the Company has a net current liability of £81,693,000, 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 and Secretaries (Baillie Gifford); other professional service providers (corporate broker, registrar 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 (see Notice of Meeting on pages 59 and 60). It also allows shareholders the opportunity to meet with the Board and Managers and raise questions and concerns. 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 23 and 24.

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:

— the untimely passing of Keith Falconer in May, and subsequent succession of David Kidd as Chairman. Consequently, the Company intends to recruit an additional independent non-executive Director;

— following a formal tender process, the Board proposes the appointment of Ernst & Young LLP as Auditor for the financial year commencing 1 September 2022;

— the appointment of Lintstock to carry out an external performance evaluation of the Board as a whole and its committees (see page 30 for further information);

— arranging a three year ¥2,600 million revolving credit facility with Mizuho Bank, Ltd with the purpose of maintaining the gearing level of the Company which the Board believes will enhance long term returns to shareholders;

— the purchase of 428,750 shares, at a discount, enhancing net asset value for continuing shareholders;

— between 1 September and 17 October 2022, the purchase of 241,845 shares, at a discount, enhancing net asset value for continuing shareholders; and

— the Board's decision to declare a final dividend of 9.00p 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 24.

Gender Representation

At 31 August 2022, the Board comprises four Directors, two male and two female. The Company has no employees. The Board's policy on diversity is set out on page 25.

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 24.

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 14.

Managers' Report

The past 12 months have been a difficult time for investors. Despite Covid beginning to fade from a pandemic into an endemic virus, new challenges have emerged. Russia's war on Ukraine has brought significant suffering and destruction to Ukraine and the range of possible outcomes from here is wide. Who would have thought that we would pivot from a pandemic to conversations around the differences between strategic and tactical nuclear weapons? Alongside this there has been significant disruption to energy markets and high inflation numbers in many developed markets. Asset prices have been impacted as the spectre of stagflation has preyed on investor minds. Meanwhile Japan has experienced the shock of the assassination of highly influential former Prime Minister Shinzo Abe.

Against this backdrop, the share prices of the companies in which the Japan Trust invests in have had, in aggregate, a setback. The NAV total return of your Company was -16.3% compared with the -3.9% fall in the TOPIX index in Sterling terms. We continue to believe that it is more appropriate to look at longer-term numbers. Over 5 years the NAV total return has increased by 22.8%, and by 387.7% over 10 years. This compares to increases in the TOPIX index of 19.8% over 5 years and 257.8% over 10 years. Our bias towards smaller companies and higher growth companies have been unhelpful over the last year. Additionally, given the widespread share price falls, being geared was also unhelpful.

Four companies subtracted at least 1ppt from the return. These were Rakuten (-1.5%), Raksul (-1.4%), CyberAgent (-1.0%) and Mercari (-1.0%). Each of these companies operates in the internet area and they share the common feature of investing heavily to try and seize future opportunities. Rakuten has been building a new mobile phone network in Japan, funded by its profitable e-commerce and online financial service operations. Raksul is a young company involved in online printing, logistics on demand and online advertising. CyberAgent has been investing heavily in AbemaTV, perhaps best described as a cross between YouTube and Netflix, funded by its profitable advertising and gaming businesses. Finally, Mercari provides a platform for consumer-to-consumer second-hand good sales and is investing heavily in its US operations, funded by its more established and profitable Japanese operations.

On the positive side Inpex contributed 1.8% to the return. As a liquified natural gas (LNG) extraction company, its profits have increased sharply as gas prices have soared due to the Russian war on Ukraine.

We try to operate in a semi-stoic fashion; acknowledging that we would prefer to see more share prices going up but continuing our day-to-day activities with the usual attitude and tempo. Our business practices are no longer meaningfully impacted by Covid and we are visiting Japan again and our Japanese-based researchers are visiting Edinburgh. We see our job as trying to stay invested in good companies that are progressing well, trying to find new opportunities, and removing companies from the portfolio where the prospects are fading. In this we are driven by long-term opportunity and potential upside in shares rather than moves in currencies or yield curves.

In total we bought 8 new holdings and sold 10. As is typical the new holdings spanned a range of growth opportunities, from quality long-term franchises such as Nintendo (games consoles), Shiseido (skincare) and Pigeon (baby bottles) to newer high growth companies such as Oisix (meal kit delivery), Freee (cloud-based accounting) and finally eclectic growth companies such as Chugoku Marine Paint (anti-fouling ship paint), Shima Seiki (knitting machines) and Seria (bargain retail). These were funded by sales of existing holdings where conviction has waned. Overall turnover was 14.5%, meaning that 85.5% of the portfolio was not changed from the previous year.

The difficulties caused by Covid have temporarily negatively impacted the earnings of many usually high-quality businesses. While attitudes in Asia towards Covid remain generally more cautious than in Europe and the United States, we believe that the fundamental trends are in the same direction. Japan has very high vaccine coverage now and is re-opening for unrestricted tourism. Although the exact timing of earnings' recovery is uncertain, we have very high conviction that it will happen. The new holding in Shiseido, the addition to Pola Orbis (high end skincare) and the purchase of Pigeon were all partly driven by this long-term conviction in recovery. Each of these was a highly profitable business prior to the pandemic and we assess them to have many years of growth ahead of them as consumers in many parts of Asia continue to grow in affluence. Sometimes share prices move far more than the long-term prospects of the underlying business. Pigeon was completely sold in 2018, largely on valuation grounds. Following some short-term issues, and with the shares trading 65% lower than our average selling price, we decided that the prospective returns were attractive enough to take a holding again.

We have also been making additions across various high-growth businesses where the share prices have become much lower but where we retain conviction. Indeed, the trend towards digital transformation in Japan seems to have been strengthened by the pandemic. Digital payments, e-commerce, and online financial services are all more relevant. Therefore, we have increased holdings in 3 of the 4 most significant contributors to under-performance, which are all internet businesses, because our conviction in future returns has increased over the year.

On the selling side two outcomes are worthy of comment. First, your Company is without a single car assembler for the first time in many years. This is because we have become increasingly of the view that consumer demand is now at a tipping point where we will see a rapid shift towards battery electric vehicles given that they have emission, running cost, and performance benefits while current challenges of range and initial price are improving. In general, the Japanese car companies are very good at making the cars of the near past but poorly positioned for this change in consumer preference. Previously combustion engine technology (including hybrids) and mechanical engineering skills have been critical and play to Japanese strengths. However, in the future battery technology and software are likely to be key, opening the car market to a range of new players. Rather than assemblers we favour companies that supply critical parts and components such as DENSO (air-conditioning and various electronic parts), Nidec (motors for battery electric vehicles) and Bridgestone (tyres).

Second, we have sold Inpex (liquified natural gas)*, and reduced other resource-related names. While these have provided useful returns recently the situation is largely the opposite of companies negatively impacted by Covid. Regarding Inpex, the current situation has been very supportive of short-term earnings but technology development and environmental concern make natural gas an increasingly poor choice for energy generation.

Overall, there is no premium paid for the portfolio of shares in your Company relative to the Japanese market (EV/EBIT multiple of 13x in each case), despite our belief that the underlying portfolio has significantly higher forward-looking growth potential. Gearing has been actively increased as we have made a conscious decision to invest more in what we believe to be high quality growth companies at a time when their shares seem to us to be on sale. Net gearing at the end of the year was 17.5%.

Given the difficulties globally and sharp share price falls it reflects very well on your underlying investments that in aggregate they have continued to grow their dividends. Consequently, your company will pay an increased dividend of 9p compared with 6p in the previous year, entirely covered by increased dividend income from the portfolio.

Whilst it has been a difficult twelve months for the share price of the Company, it is perhaps worth re-iterating three sources of comfort. First, 85% of your Company is the same as the year before which means that our processes have been operating in a steady fashion. Second, in aggregate those companies have been paying out increased dividends (and doing significant share buybacks) suggesting both that cash is available and that directors have confidence in the future. Finally, given the growth profile of your Company's portfolio it is striking that it does not trade at a meaningful premium to the Japanese market. The future is always uncertain, and volatility is inevitable, but in the past your Company has always managed to recover from setbacks and we believe that investing in quality growth companies will continue to be an effective way of preserving and growing wealth over the long term.

Baillie Gifford
18 October 2022

* Comprising a significant reduction as of the company's year-end and the completion of the sale as at time of writing.

Review of Top Ten Investments

SoftBank

5.0% of total investments

SoftBank Group is a diversified company run by dynamic entrepreneur Masayoshi Son, who holds over 25% of the shares. The group currently encompasses 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 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.

FANUC

3.4% of total investments

FANUC manufactures factory automation systems and robots. It is particularly strong in CNCs (computerised numerical controls) which are specialist computers that are attached to machine tools and synchronise the movements and actions of the machine. We expect the global automation market to continue to grow as companies focus on efficiency and productivity to improve their competitiveness. We believe that FANUC's high market share and reputation in automation and robotics will allow it to continue generating attractive returns on capital and grow profitably.

FANUC

SBI Holdings

3.4% of total investments

SBI is a leading internet focused financial services company in Japan. Its principal operations are online brokerage, 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.

GMO Internet

3.1% 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.

Bridgestone

3.1% of total investments

Bridgestone is one of the top tyre manufacturers globally with about 15% market share. Tyres have some franchise characteristics with low obsolescence risk and in some respects can be thought of as 'shoes for cars'. Regardless of whether a vehicle is powered by a combustion engine, a hybrid engine or an electric motor it requires tyres. Bridgestone derives advantage over competitors from scale, distribution, technology and brand. Following a recovery in demand from the depressed levels during the pandemic we see a long duration growth opportunity for the business.

Sumitomo Mitsui Trust

3.1% of total investments

Sumitomo Mitsui Trust Holdings (SMTH) is the last remaining independent trust bank in Japan after the consolidation of the sector. Unlike other major banks in Japan fees form a major part of the business, and they also have a significant asset management business. SMTH could be a major beneficiary of any reflation of the economy as domestic investors shift from vast cash savings into risk assets. We believe that management show a healthy balance between ambition and conservatism, which is especially important in managing a bank.

Calbee

© South China Morning Post/Getty Images.

Calbee

2.9% of total investments

Calbee is a leading snack foods company with very high market shares in Japan. We believe that the company has a number of opportunities. First, we think there is potential to increase margins in the domestic business over time. Second, it also has a small overseas business mostly in the US and Asia that has potential to generate sales growth for many years. Finally, Pepsi, which has a strategic shareholding in the business, could see it as an attractive bolt-on acquisition. As Japan has exited deflation Calbee has been increasing prices which we believe is a rational strategy to benefit from their strong competitive position.

MS&AD Insurance

2.9% of total investments

MS&AD is a large Japanese insurance company. Following a phase of market consolidation in the past, the top three players now control over 90% of the market. Japan is unusual in that the general insurers regularly make underwriting profits and we believe that this oligopolistic industry structure will reinforce profitability of its insurance business over the coming years. In addition, rising rates tend to be positive for the company's profitability especially in its life insurance business. MS&AD also has substantial holdings in a portfolio of Japanese equities that we believe will contribute to long-term book value appreciation.

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.

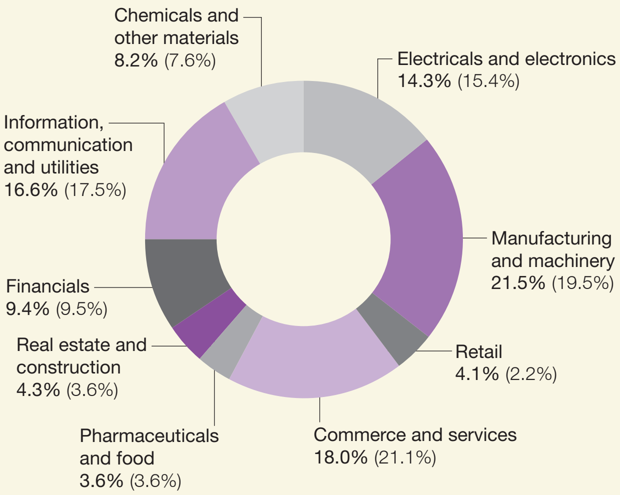
CyberAgent

2.8% of total investments

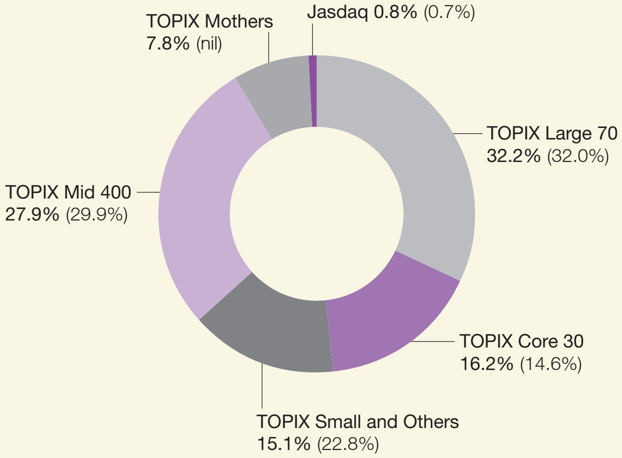
CyberAgent is an internet holding company with exposure to internet advertising, online gaming/social media and internet start-up investments. The company is benefiting from a shift in advertising budgets to the internet and is currently experiencing growth in its mobile advertising business, as well as succeeding in generating popular game titles. 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.

Distribution of Total Investments

Sector 2022 (2021)



Listings 2022 (2021)



Relative Contribution

Top Ten Relative Stock Contributors

Year to 31 August 2022

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
Inpex	2.1	0.2	1.8
Istyle	0.6	0.0	0.6
Sumitomo Mitsui Trust	2.8	0.3	0.5
MS&AD Insurance	2.8	0.3	0.4
Gree	0.2	0.0	0.4
TKP	0.8	0.0	0.4
Tokyo Tatemono	1.4	0.1	0.3
Keyence	0.8	2.1	0.3
Hoya	0.0	1.1	0.3
Itochu	2.6	0.9	0.3

Bottom Ten Relative Stock Contributors

Year to 31 August 2022

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
Rakuten	3.1	0.2	(1.5)
Raksul	1.5	0.0	(1.4)
CyberAgent	2.8	0.1	(1.0)
Mercari	1.2	0.0	(1.0)
Sysmex	2.6	0.3	(0.8)
Healios K.K.	0.4	0.0	(0.8)
Outsourcing	1.2	0.0	(0.6)
Pola Orbis	1.5	0.0	(0.6)
Infomart	0.8	0.0	(0.6)
Misumi	2.7	0.2	(0.5)

Top Ten Relative Stock Contributors

5 years to 31 August 2022

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
M3	1.2	0.3	2.2
SoftBank	5.5	1.8	1.8
Katitas	0.4	0.0	1.5
Pan Pacific International	1.0	0.2	1.3
SBI Holdings	3.2	0.1	1.3
MonotaRO	1.4	0.1	1.1
GMO Internet	2.9	0.0	1.1
Advantest	0.4	0.2	1.1
Itochu	2.3	0.7	0.9
SanBio	0.3	0.0	0.8

Bottom Ten Relative Stock Contributors

5 years to 31 August 2022

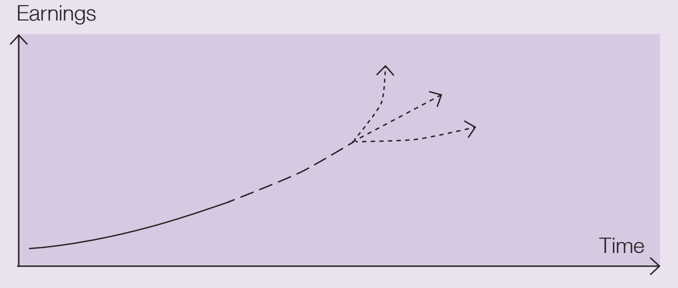
Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
Rakuten	3.2	0.2	(1.7)
Toyota Motor	0.0	3.5	(1.3)
Sato	1.4	0.0	(1.0)
Lifull	0.6	0.0	(0.9)
Daiichi Sankyo	0.0	0.8	(0.9)
Raksul	0.8	0.0	(0.8)
Mazda Motor	1.2	0.1	(0.8)
Healios K.K.	0.3	0.0	(0.8)
Pola Orbis	0.6	0.0	(0.6)
H.I.S.	0.8	0.0	(0.6)

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 2022

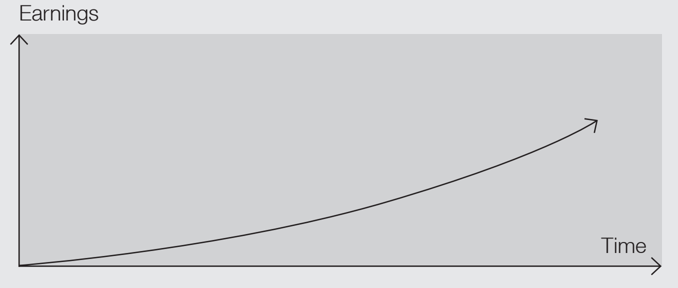
Secular Growth



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

	% of total investments
FANUC	3.4
SBI Holdings	3.4
GMO Internet	3.1
CyberAgent	2.8
Misumi	2.8
Kubota	2.6
Rakuten	2.2
Sysmex	2.1
MonotaRO	1.7
Recruit Holdings	1.7
Nidec	1.7
Sato	1.6
GA Technologies	1.5
Istyle	1.5
TKP	1.3
Topcon	1.3
Mercari	1.1
Keyence	1.0
Raksul	0.9
SMC	0.9
Oisix	0.8
Shimano	0.8
Toyota Tsusho	0.8
Broadleaf	0.7
Digital Garage	0.5
Infomart	0.5
BASE	0.4
freee K.K.	0.4
Noritsu Koki	0.4
PeptiDream	0.4
Nippon Ceramic	0.4
Bengo4.com	0.3
Rizap	0.3
Lifull	0.1
Total	**45.4**

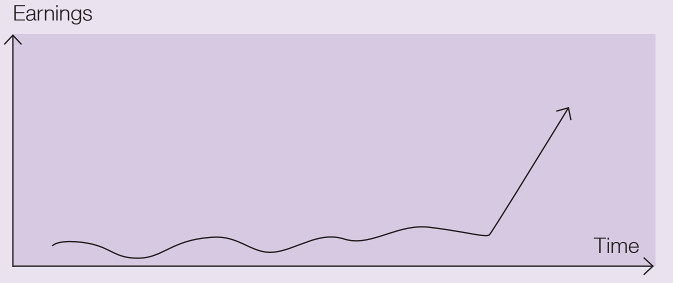
Growth Stalwarts



Growth Stalwarts: Growth is less rapid but more predictable.

	% of total investments
Calbee	2.9
Nintendo	2.1
Shiseido	2.0
Unicharm	1.9
Pola Orbis	1.5
Seria	0.8
Sugi	0.8
Makita	0.6
Park24	0.6
Pigeon	0.4
Secom	0.4
Sawai Pharmaceutical	0.3
Total	**14.3**

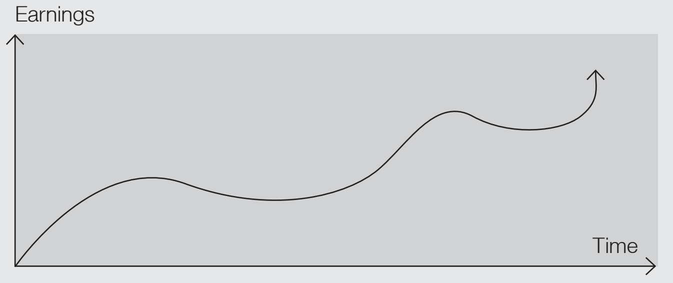
Special Situations



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

	% of total investments
SoftBank	5.0
MS&AD Insurance	2.9
Sony	2.7
mixi	2.6
Tokyo Tatemono	1.7
Colopl	1.5
Inpex	0.8
Total	**17.2**

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
Bridgestone	3.1
Sumitomo Mitsui Trust	3.1
DENSO	2.6
Itochu	2.6
Sumitomo Metal Mining	2.1
DMG Mori	1.6
Murata Manufacturing	1.5
Rohm	1.5
Nifco	1.3
Tsubaki Nakashima	1.0
Outsourcing	0.9
Iida	0.7
Chugoku Marine Paints	0.6
Shima Seiki	0.5
Total	**23.1**

Holding Period

As at 31 August 2022

>10 years	% of total investments
SBI Holdings	3.4
GMO Internet	3.1
Misumi	2.8
Kubota	2.6
Itochu	2.6
Rakuten	2.2
Sysmex	2.1
Tokyo Tatemono	1.7
Rohm	1.5
Nifco	1.3
SMC	0.9
Inpex	0.8
Digital Garage	0.5
Lifull	0.1
Total	**25.6**

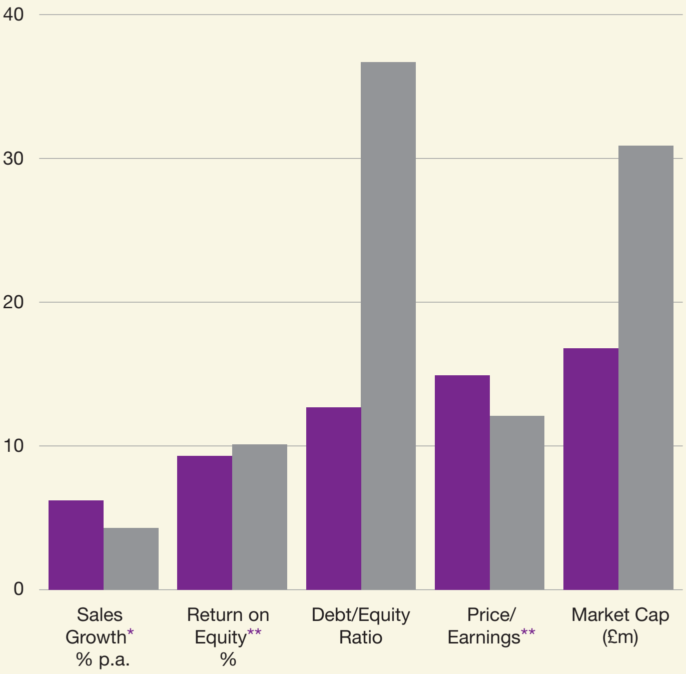
5–10 years	% of total investments
SoftBank	5.0
FANUC	3.4
Sumitomo Mitsui Trust	3.1
CyberAgent	2.8
Sony	2.7
Sumitomo Metal Mining	2.1
Recruit Holdings	1.7
MonotaRO	1.7
Nidec	1.7
Istyle	1.5
Murata Manufacturing	1.5
Colopl	1.5
Topcon	1.3
Keyence	1.0
Outsourcing	0.9
Toyota Tsusho	0.8
Broadleaf	0.7
Iida	0.7
Park24	0.6
Infomart	0.5
PeptiDream	0.4
Secom	0.4
Nippon Ceramic	0.4
Sawai Pharmaceutical	0.3
Total	**36.7**

2–5 years	% of total investments
Calbee	2.9
DENSO	2.6
mixi	2.6
Sato	1.6
DMG Mori	1.6
Pola Orbis	1.5
Mercari	1.1
Raksul	0.9
Shimano	0.8
Sugi	0.8
Makita	0.6
Noritsu Koki	0.4
Bengo4.com	0.3
Rizap	0.3
Total	**18.0**

<2 years	% of total investments
Bridgestone	3.1
MS&AD Insurance	2.9
Nintendo	2.1
Shiseido	2.0
Unicharm	1.9
GA Technologies	1.5
TKP	1.3
Tsubaki Nakashima	1.0
Oisix	0.8
Seria	0.8
Chugoku Marine Paints	0.6
Shima Seiki	0.5
BASE	0.4
Pigeon	0.4
freee K.K.	0.4
Total	**19.7**

Stocks bought within the past year.

Portfolio Characteristics



Source: UBS, sterling, as at 31 August 2022.
*Historic: Trailing 3 years sales growth.
**12 month forward estimate. Market conditions at the Company's year end meant the Return on Equity of the portfolio was below that of the benchmark.

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 2022

Name	Sector	Value 31 August 2022 £'000	% of total investments	Absolute † performance %	Relative † performance %
SoftBank	Information, communication and utilities	46,440	5.0	(15.1)	(11.6)
FANUC	Electricals and electronics	31,699	3.4	(10.4)	(6.7)
SBI Holdings	Financials	31,558	3.4	0.6	4.7
GMO Internet	Information, communication and utilities	29,197	3.1	(13.1)	(9.6)
Bridgestone	Manufacturing and machinery	29,184	3.1	2.2	6.3
Sumitomo Mitsui Trust	Financials	28,945	3.1	17.3	22.0
Calbee	Pharmaceuticals and food	27,394	2.9	(3.2)	0.7
MS&AD Insurance	Financials	27,235	2.9	14.2	18.8
Misumi	Commerce and services	26,335	2.8	(25.4)	(22.4)
CyberAgent	Commerce and services	25,834	2.8	(36.1)	(33.5)
Sony	Electricals and electronics	25,431	2.7	(7.7)	(4.0)
Kubota	Manufacturing and machinery	24,429	2.6	(8.8)	(5.1)
DENSO	Manufacturing and machinery	24,243	2.6	(5.2)	(1.3)
Itochu	Commerce and services	24,180	2.6	11.7	16.2
mixi	Commerce and services	23,922	2.6	(7.5)	(3.7)
Rakuten	Commerce and services	20,924	2.2	(44.8)	(42.6)
Sysmex	Electricals and electronics	19,510	2.1	(35.2)	(32.6)
Sumitomo Metal Mining	Chemicals and other materials	19,411	2.1	2.8	7.0
Nintendo	Manufacturing and machinery	19,043	2.1	11.9 *	18.7 *
Shiseido	Manufacturing and machinery	18,347	2.0	(34.2)*	(28.2)*
Unicharm	Chemicals and other materials	17,942	1.9	(6.7)	(2.9)
Recruit Holdings	Commerce and services	16,256	1.7	(35.3)	(32.6)
MonotaRO	Retail	16,179	1.7	(2.2)	1.7
Nidec	Electricals and electronics	15,861	1.7	(30.4)	(27.6)
Tokyo Tatemono	Real estate and construction	15,389	1.7	19.8	24.7
Sato	Manufacturing and machinery	15,047	1.6	(31.2)	(28.4)
DMG Mori	Manufacturing and machinery	14,888	1.6	(10.5)	(6.9)
Pola Orbis	Chemicals and other materials	14,188	1.5	(38.1)	(35.6)
Rohm	Electricals and electronics	13,787	1.5	(5.8)	(2.0)
Istyle	Information, communication and utilities	13,696	1.5	15.3	19.9
Murata Manufacturing	Electricals and electronics	13,614	1.5	(21.3)	(18.2)
Colopl	Information, communication and utilities	13,514	1.5	(18.9)	(15.7)
GA Technologies	Information, communication and utilities	13,417	1.5	(19.6)	(16.4)
Topcon	Manufacturing and machinery	12,204	1.3	(3.0)	0.9
Nifco	Chemicals and other materials	11,942	1.3	(13.3)	(9.8)
TKP	Real estate and construction	11,841	1.3	29.2	34.5
Mercari	Information, communication and utilities	9,958	1.1	(60.6)	(59.0)
Keyence	Electricals and electronics	9,467	1.0	(25.1)	(22.0)
Tsubaki Nakashima	Manufacturing and machinery	8,940	1.0	(27.5)	(24.6)
Outsourcing	Commerce and services	8,730	0.9	(38.1)	(35.6)
SMC	Manufacturing and machinery	8,505	0.9	(10.6)	(7.0)
Raksul	Information, communication and utilities	8,023	0.9	(65.2)	(63.8)
Oisix	Retail	7,885	0.8	(31.5)*	(31.3)*
Toyota Tsusho	Commerce and services	7,447	0.8	(2.9)	1.1

Name	Sector	Value 31 August 2022 £'000	% of total investments	Absolute † performance %	Relative † performance %
Shimano	Manufacturing and machinery	7,294	0.8	(27.6)	(24.7)
Sugi	Retail	7,227	0.8	(33.9)	(31.3)
Seria	Retail	7,157	0.8	6.0 *	1.2 *
Inpex	Chemicals and other materials	7,009	0.8	107.6	116.0
Broadleaf	Information, communication and utilities	6,899	0.7	(7.0)	(3.2)
Iida	Real estate and construction	6,731	0.7	(26.6)	(23.7)
Makita	Manufacturing and machinery	5,863	0.6	(50.4)	(48.4)
Park24	Real estate and construction	5,700	0.6	(11.9)	(8.3)
Chugoku Marine Paints	Chemicals and other materials	5,106	0.6	(1.7)*	6.1 *
Digital Garage	Information, communication and utilities	5,042	0.5	(26.6)	(23.7)
Shima Seiki	Manufacturing and machinery	4,887	0.5	16.5 *	12.4 *
Infomart	Commerce and services	4,183	0.5	(59.4)	(57.8)
Noritsu Koki	Manufacturing and machinery	4,139	0.4	10.5	15.0
Pigeon	Manufacturing and machinery	4,110	0.4	28.2 *	16.8 *
PeptiDream	Pharmaceuticals and food	4,007	0.4	(59.5)	(57.8)
BASE	Information, communication and utilities	3,662	0.4	(74.4)	(73.4)
Secom	Commerce and services	3,573	0.4	2.1	6.2
freee K.K.	Information, communication and utilities	3,323	0.4	6.0 *	1.9 *
Nippon Ceramic	Electricals and electronics	3,275	0.4	(15.1)	(11.7)
Bengo4.com	Commerce and services	2,984	0.3	(47.9)	(45.8)
Rizap	Commerce and services	2,838	0.3	(27.0)	(24.0)
Sawai Pharmaceutical	Pharmaceuticals and food	2,755	0.3	(20.5)	(17.3)
Lifull	Commerce and services	609	0.1	(53.3)	(51.4)
Total investments		930,354	100.0		
Net liquid assets		10,059			
Total assets#		940,413			
Bank loans		(149,407)			
Equity shareholders' funds		791,006			

† Absolute and relative performance have been calculated on a total return basis over the period 1 September 2021 to 31 August 2022. 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.

Total assets comprise all assets held less all liabilities other than liabilities in the form of borrowings. See Glossary of Terms and Alternative Performance Measures on page 57.

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 comprises pages 2 to 24 was approved by the Board of Directors and signed on its behalf on 18 October 2022.

David Kidd
Chairman

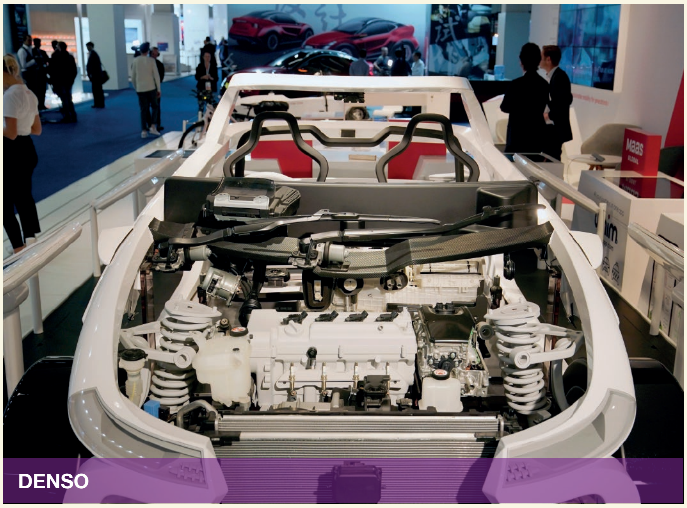
Corporate Governance and Sustainability Engagement

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 two examples below demonstrate our stewardship approach through constructive, ongoing engagement.



DENSO

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DENSO

We met with members of DENSO's sustainability and investor relations teams to discuss the recent update to its climate aspirations and targets.

Discussion

Reborn 21 aims to deliver carbon-neutral manufacturing at the auto parts supplier by 2035, alongside a focus on products that enable electrification and advanced mobility. It was useful to learn about progress in accessing renewable electricity, a pilot carbon capture/synfuel project, and opportunity for margin enhancement in more complex heating/cooling systems, but the bulk of the discussion covered value chain emissions – most especially the expected pace of change from combustion engines to fuel cells and electric vehicles (EVs) at DENSO's customers (with 34 per cent shareholder Toyota accounting for around a half). While it was confirmed that DENSO is no longer pursuing R&D in combustion technology, it has yet to state clear targets for zero-emission sales (and, by proxy, its Scope 3 footprint).

Outcome

We encouraged more ambition in this regard and sought more detail on the firm's use of carbon offsets. We agreed to speak again after further updates on plans for carbon neutrality at the Toyota Group.

GMO Internet

We have engaged with GMO Internet for a number of years on their governance structure. In the year under review we had a call to discuss a radical overhaul of this structure.

Discussion

In 2022 the board transitioned from comprising twenty-one members to nine. The appointment of three independent directors brought the board to one-third independence, in line with our expectations. While we viewed the change as broadly positive, we raised the question that historically GMO Internet had stated a larger board was better suited to their company. We were assured that the change came with no compromises and if anything would render the new board more agile and better able to have focused and meaningful discussions. We also discussed their establishment of a sustainability promotion committee, and their intention to disclose more KPIs related to sustainability in 2023. They intend to go beyond simply enhancing disclosure, and to think seriously about the impact of their business on the environment and society.

Outcome

The new board structure should render GMO Internet's governance better able to navigate its rapidly evolving business environment. A time-bound commitment to improve sustainability related disclosure is also a positive.

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 59.3% 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.

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

David Kidd – Chairman

David Kidd was appointed a Director in 2015 and, following the untimely death of Keith Falconer, appointed Chairman in June 2022. He has over 35 years investment experience in the City, in the roles of chief investment officer and independent professional trustee. In the latter capacity, he is due to retire at the end of October from the board of The Law Debenture Pension Trust Corporation PLC. He is also a director of The Golden Charter Trust and Mid Wynd International Investment Trust PLC.

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 CT UK Capital & Income Investment Trust plc, European Opportunities Trust plc, Celtic plc and Circularity Scotland 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.

Joanna Pitman

Joanna Pitman was appointed a Director in 2018 and appointed Senior Independent Director in June 2022. She is Chair of the Remuneration Committee. She read Japanese Studies at Cambridge University and speaks Japanese. She was Tokyo Bureau Chief of The Times from 1989 to 1994 and has since 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. He is Chair of the Management Engagement Committee. 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, Remuneration Committee and Management Engagement Committee. With the exception of David Kidd, 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 Secretaries. 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 £216 billion at 17 October 2022. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 51 partners and a staff of around 1,700.

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 2022.

Corporate Governance

The Corporate Governance Report is set out on pages 29 to 32 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 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.

During the year, the Board as a whole fulfilled the function of the Management Engagement Committee. The Board has agreed to form a separate Management Engagement Committee, Chaired by Sam Davis, which going forward will consider the Company's investment management and secretarial arrangements for the Company on an ongoing basis and conduct a formal review annually. The Committee 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 25.

The Corporate Governance Code rules require that all Directors be subject to annual election by shareholders. As a result, all Directors will retire at the Annual General Meeting and offer themselves for re-election. Following formal performance evaluation, the Chairman confirms that the Board considers that each Director's performance continues to be effective and that they remain committed to the Company. The Board therefore recommends their re-election to shareholders.

Directors' 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 2022 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 9.00p per ordinary share. If approved, the recommended final dividend will be paid on 21 December 2022 to shareholders on the register at the close of business on 11 November 2022. The ex-dividend date is 10 November 2022. 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 2022.

Share Capital

Capital Structure

The Company's capital structure consists of 93,899,459 ordinary shares of 5p each at 31 August 2022 (2021 – 94,328,209). At 31 August 2022, 428,750 shares were held in treasury (2021 – nil). 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 61 and 62.

Major Interests in the Company's Shares

Name	No. of ordinary 5p shares held at 31 August 2022	% 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

In the period from 31 August 2022 to 17 October 2022, the Company was notified that Capital Partners LLC held 4,783,535 shares (5.1% of shares in issue as at 4 October 2022). There have been no other changes to the major interests in the Company's shares intimated up to 17 October 2022.

Share Issuance Authority

At the last Annual General Meeting, the Directors were granted authority to issue shares up to an aggregate nominal amount of £471,641.04 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 £471,641.04. These authorities are due to expire at the Annual General Meeting on 15 December 2022.

Resolution 11 in the Notice of Annual General Meeting seeks to renew the Directors' general authority to issue shares up to an aggregate nominal amount of £468,288.07. This amount represents 10% of the Company's total ordinary share capital in issue at 17 October 2022 and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 11 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 12, which is proposed as a special resolution, seeks 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 £468,288.07 (representing 10% of the issued ordinary share capital of the Company as at 17 October 2022). The authorities sought in Resolutions 11 and 12 will continue until the conclusion of the Annual General Meeting to be held in 2023 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 14,039,798 ordinary shares (equivalent to 14.99% of its issued share capital), such authority to expire at the 2022 Annual General Meeting. The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases up to 14,039,276 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 2023.

During the year to 31 August 2022, 428,750 shares were bought back at a cost of £3,262,000 and held in treasury (2021 – nil shares).

The principal reasons for share buy-backs are:

(i) to enhance net asset value for continuing shareholders by purchasing shares at a discount to the prevailing net asset value; and

(ii) to address any imbalance between the supply of and 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 13 in the Notice of Annual General Meeting. This authority, if conferred, will only be exercised if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders and if it is considered in the best interests of shareholders generally.

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 10 in the Notice of Annual General Meeting, which proposes that the Company continues in operation until the 2023 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

During the year a formal tender process was carried out by the Company's Audit Committee. Following this process, the Board has approved the proposed appointment of Ernst & Young LLP as Auditor for the financial year commencing 1 September 2022. Ernst & Young LLP has expressed its willingness to be appointed Auditor to the Company. The appointment is subject to shareholder approval at the Annual General Meeting to be held on 15 December 2022 and resolutions concerning Ernst & Young's appointment and remuneration will be submitted to the Annual General Meeting. The Board extends its appreciation to KPMG LLP for its services as Auditor and confirms that there are no matters in connection with KPMG LLP ceasing to hold office as Auditor following the 2022 audit which need to be brought to the attention of shareholders.

Post Balance Sheet Events

The Directors confirm that there have been no significant post Balance Sheet events up to 17 October 2022.

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
David Kidd
Chairman
18 October 2022

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 33. Given that the Company is an externally managed investment trust, the Board considers the provisions relating to the role of the chief executive and executive-directors remuneration are not relevant.

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 2022, the Board comprises four Directors, all of whom are non-executive. The Chairman, Mr David Kidd, is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

The Senior Independent Director ('SID') is Ms Joanna Pitman, 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.

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.

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 25.

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, 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.

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**	**3**	**1**
David Kidd*	4	3	1
Sharon Brown	4	3	1
Sam Davis	4	3	1
Joanna Pitman	4	3	1
Keith Falconer (deceased May 2022)	3	2	–
Martin Paling (retired 16 December 2021)	2	1	–

* Following his appointment as Chairman, Mr Kidd stepped down as a member of the Audit Committee. The three meetings noted took place prior to his appointment.

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 will monitor diversity on an ongoing basis, having regard to developments in the Corporate Governance Code and wider market practice and will seek to ensure that the Company retains the benefits of a diversity of thought and experience.

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 planning determined that it would be appropriate that a new non-executive Director be appointed in the upcoming financial year. The Board recognises the importance of having a range of skills and experienced Directors, balancing the benefits of length of service and knowledge of the Company with the desirability of ensuring refreshment of the Board.

Performance Evaluation

During the year the Board appointed Lintstock, a firm which assists companies with the external board evaluations. Lintstock has no other connection with the Company or its Directors. Each Director completed a questionnaire, provided by Lintstock, which was followed up with a telephone interview carried out by a representative of Lintstock. The Board evaluation included a review of the following areas:

— Board composition and expertise;

— Board dynamics;

— Management and focus of meetings;

— Board information and support;

— Audit and Nomination Committees;

— Investment strategy and performance;

— External relations;

— Risk management; and

— Succession.

Lintstock reviewed the information from the questionnaires and interviews and judged the Company's Board, Committees and Directors to be operating effectively. It is intended that an external evaluation will be carried out every three years.

Following this process, it was concluded that the performance of each Director, the Chairman, the Board and its Committees continues to be effective and each Director, including the Chairman, remains 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

Directors' fees were 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 35 and 36. The Board has proposed that a separate Remuneration Committee be set up which will be chaired by Joanna Pitman.

Audit Committee

The report of the Audit Committee is set out on pages 33 and 34.

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 of the report 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's '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 26, 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, as the Custodian's report auditor. The reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns 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 and over recent months due to the macroeconomic and geopolitical concerns, including rising inflation and interest rates and the Russian invasion of Ukraine, 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, in accordance with the Company's Articles of Association, 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.

During the year the Company entered into a ¥2,600 million revolving loan facility with Mizuho Bank. The 3 year fixed rate loan facility with SMBC expires in August 2023 and as this falls to expire within 12 months of the Company's year end is now classed as a current liability.

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.

Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters including the Covid-19 pandemic set out in the Viability Statement on page 11, which assesses the prospects of the Company over a period of five years, that the Company, notwithstanding the Company has a net current liability of £81,693,000, 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
David Kidd
Chairman
18 October 2022

Audit Committee Report

The Audit Committee consists of all Directors with the exception of Mr Kidd. 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 three times during the year and KPMG LLP, the external Auditor, attended two of the meetings. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes for two of these meetings. The additional meeting was to consider audit tender proposals for the Company's financial year ending August 2023.

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 subsequent tender process;

— 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 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 98.9% 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 2022 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 and increasing geopolitical tensions, 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 11 and statement on Going Concern on page 31 including the potential impact of Covid-19 and increasing geopolitical tensions. 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.

* Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 57 and 58.

FRC Review

The Financial Reporting Council ('FRC') reviewed the Company's Annual Report and Financial Statements for the year to 31 August 2021. In their letter to the Company the FRC did not raise any material issues. However, there were some recommendations noted which have been considered and addressed as appropriate in the Company's Annual Report and Financial Statements for the year to 31 August 2022. The FRC notes that its review does not provide assurance that the Annual Report and Financial Statements are correct in all material respects and that its role is not to verify the information provided but to consider compliance with reporting requirements.

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 30 and 31. No significant weaknesses were identified in the year under review.

External Auditor

KPMG LLP was appointed as the Company's Auditor at the Annual General Meeting held on 30 November 2017.

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.

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 2022 or 31 August 2021.

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.

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 £37,500 to £42,000. 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.

Audit Tender

During the year the Audit Committee undertook a formal audit tender process for external audit services for the financial year 2023 onwards. In April 2022, invitations to tender were sent out to a short-list of audit firms, including two from outside the 'Big 4', to tender. KPMG, the current auditor, was included in that list and invited to tender.

The invitations to tender included selection criteria including industry experience, credentials and relevant experience of the proposed audit team, audit approach, quality assurance, independence and governance, and fees; the tender timetable and information required for the firm's proposal documents and presentations.

Five of the firms submitted written tender documents which the Committee reviewed with three firms then selected to present at an additional Audit Committee meeting. Following all three presentations the Committee recommended the Board appoint Ernst & Young LLP as external auditor, effective for the financial year ending 31 August 2023. The Board agreed with the Committee's proposal to appoint Ernst & Young LLP and a resolution is being put to shareholders at the Annual General Meeting being held on 13 December 2022 (see Notice of Meeting on page 59).

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

Regulatory Compliance

The Committee confirms that the Company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance of tenders for the appointment of the external auditor and the setting of policy on the provision of non-audit services.

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 37 to 42.

On behalf of the Board
Sharon Brown
Audit Committee Chair
18 October 2022

Directors' Remuneration Report

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

Statement by the Chair

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy 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 2022, the Chairman's fee would be increased from £37,000 to £40,000, the other Directors' fees would be increased from £27,000 to £29,000 and that the additional fee for the Chairman of the Audit Committee would be increased from £4,000 to £5,000. The fees were last increased on 1 September 2021.

Directors' Remuneration Policy

The Board is composed wholly of non-executive Directors, none of whom has a service contract with the Company. The Board has proposed a Remuneration Committee be set up, to be chaired by Joanna Pitman, which will consider 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 monthly 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 2022 and the expected fees payable in respect of the year ending 31 August 2023 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 2023 £	Fees as at 31 Aug 2022 £
Chairman's fee	40,000	37,000
Non-executive Director fee	29,000	27,000
Additional fee for Chair of the Audit Committee	5,000	4,000
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	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 38 to 42.

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	2022 Fees £	2022 Taxable benefits* £	2022 Total £	2021 Fees £	2021 Taxable benefits* £	2021 Total £
David Kidd (appointed Chairman 1 June 2022)	29,500	691	**30,191**	26,000	–	**26,000**
Sharon Brown	31,000	564	**31,564**	29,500	–	**29,500**
Sam Davis (appointed Director 1 October 2021)	24,750	792	**25,542**	–	–	**–**
Joanna Pitman	27,000	815	**27,815**	26,000	–	**26,000**
Keith Falconer (deceased May 2022)	27,750	–	**27,750**	36,000	–	**36,000**
Martin Paling (retired 16 December 2021)	9,000	166	**9,166**	26,000	–	**26,000**
	149,000	**3,028**	**152,028**	**143,500**	**–**	**143,500**

* Comprises expenses incurred by Directors in the course of travel to attend Board and Committee meetings.

Annual Percentage Change in Fees

This represents the annual percentage change in the fees to the Directors.

Name	% from 2021 to 2022	% from 2020 to 2021
David Kidd (appointed Chairman 1 June 2022)	13.5	0.0
Sharon Brown (appointed Audit Chair 5 December 2019)	5.1	11.8
Sam Davis (appointed Director 1 October 2021)	–	–
Joanna Pitman	3.8	0.0
Keith Falconer (deceased May 2022)	(22.9)	4.8
Martin Paling (retired 16 December 2021)	(65.4)	0.0

Taxable benefits have increased to £3,028 in 2022 from £0 in 2021 (decreased to £0 in 2021 from £5,905 in 2020).

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 17 October 2022.

Name	Nature of interest	Ordinary 5p shares held at 31 August 2022	Ordinary 5p shares held at 31 August 2021
David Kidd	Beneficial	42,500	37,500
Sharon Brown	Beneficial	3,995	3,995
Sam Davis	Beneficial	5,002	–
Joanna 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, 99.94% were in favour, 0.03% were against and votes withheld were 0.03%.

Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' fees 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.

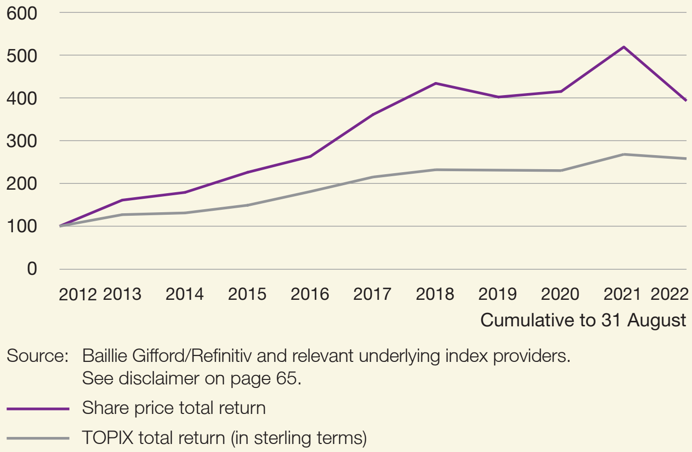
	2022 £'000	2021 £'000	% Change
Directors' fees	149	143	4.2
Dividends paid to shareholders	5,660	4,134	36.9

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 2012)



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

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 35 and 36 was approved by the Board of Directors and signed on its behalf on 18 October 2022.

Joanna Pitman
Remuneration Committee Chair

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

The Directors are responsible for preparing the Annual Report and 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.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

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 and Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that 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
David Kidd
18 October 2022

Notes

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

— The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page of the Managers' website; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website; and

— Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2022 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 2022 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 five financial years ended 31 August 2022. 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		£9.3m (2021:£11m) 1% (2021: 1%) of Total Assets
Key audit matters		**vs 2021**
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 2021), in arriving at our audit opinion above, together with our key audit procedures to address this 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 (£930.3 million; 2021: £1,053.7 million) *Refer to page 33 (Audit Committee Report), page 47 (accounting policy) and note 9 on page 50 (financial disclosures).*	**Low risk, high value:** The Company's portfolio of quoted investments makes up 98.6% (2021: 95.8%) 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 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 investments in the portfolio to externally quoted prices; and — **Enquiry of custodians:** Agreeing 100% of quoted investment held in the portfolio to independently received third party confirmations from investment custodians. **Our findings** We found no differences (2021: 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

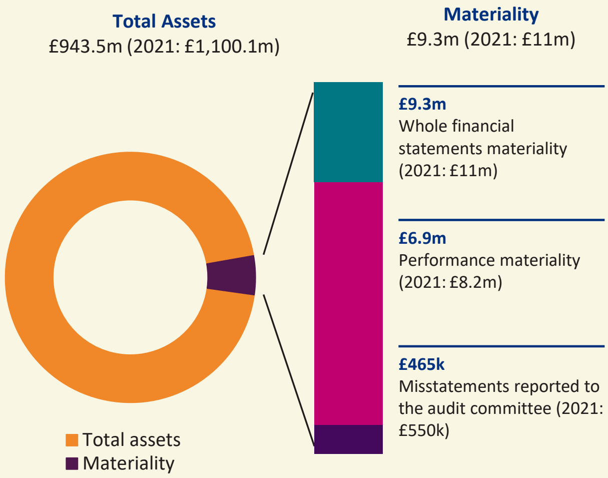
Materiality for the financial statements as a whole was set at £9.3m (2021: £11m), determined with reference to a benchmark of total assets, of which it represents 1% (2021: 1%).

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% (2021: 75%) of materiality for the financial statements as a whole, which equates to £6.9m (2021: £8.2m). 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 £465k (2021: £550k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

The scope of the audit work performed was fully substantive as we did not place reliance upon the Company's internal control over financial reporting.



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4. The impact of climate change on our audit

In planning our audit we have considered the potential impacts of climate change on the Company's financial statements.

We have performed a risk assessment of how the impact of climate change may affect the financial statements and our audit. Level 1 listed investments make up 98.6% of the Group's total assets, for which fair value is determined as the quoted market price. Therefore there was no significant impact of this on our key audit matter.

We have read the disclosure of climate related narrative in the front half of the financial statements and considered consistency with the financial statements and our audit knowledge.

5. 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 metrics relevant to debt covenants over this period were:

— the impact of a significant reduction in the valuation of investments;
— 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;

5. Going concern (continued)

— 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 31 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.

6 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.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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 related to 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.

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

Identifying and responding to risks of material misstatement related to compliance with laws and regulations (continued)

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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.

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.

7. We have nothing to report on the other information in the Annual Report and financial statements

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.

7. We have nothing to report on the other information in the Annual Report and financial statements (continued)

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 know ledge.

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 11 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 11 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.

7. 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 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.

8. 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.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 37, 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.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. 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

18 October 2022

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Income Statement

For the year ended 31 August

	Notes	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
(Losses)/gains on investments	9	–	(174,357)	(174,357)	–	147,763	147,763
Currency gains	14	–	8,222	8,222	–	5,560	5,560
Income	2	20,075	–	20,075	17,224	–	17,224
Investment management fee	3	(4,802)	–	(4,802)	(5,450)	–	(5,450)
Other administrative expenses	4	(742)	–	(742)	(668)	–	(668)
Net return before finance costs and taxation		14,531	(166,135)	(151,604)	11,106	153,323	164,429
Finance costs of borrowings	5	(1,866)	–	(1,866)	(2,047)	–	(2,047)
Net return before taxation		12,665	(166,135)	(153,470)	9,059	153,323	162,382
Tax on ordinary activities	6	(2,004)	–	(2,004)	(1,723)	–	(1,723)
Net return after taxation		10,661	(166,135)	(155,474)	7,336	153,323	160,659
Net return per ordinary share	7	**11.31p**	**(176.19p)**	**(164.88p)**	**7.89p**	**164.97p**	**172.86p**

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 47 to 56 are an integral part of the Financial Statements.

Balance Sheet

As at 31 August

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		930,354		1,053,673
Current assets					
Debtors	10	2,185		2,111	
Cash and cash equivalents	16	11,017		44,289	
		13,202		46,400	
Creditors					
Amounts falling due within one year	11	(94,895)		(2,471)	
Net current (liabilities)/assets			(81,693)		43,929
Total assets less current liabilities			**848,661**		**1,097,602**
Creditors					
Amounts falling due after more than one year	12, 16		(57,655)		(142,200)
Net assets			**791,006**		**955,402**
Capital and reserves					
Share capital	13, 14		4,717		4,717
Share premium account	14		213,902		213,902
Capital redemption reserve	14		203		203
Capital reserve	14		556,414		725,811
Revenue reserve	14		15,770		10,769
Equity shareholders' funds			**791,006**		**955,402**
Net asset value per ordinary share*	15		**842.4p**		**1,012.8p**

The Financial Statements of The Baillie Gifford Japan Trust PLC (Company registration number SC075954) on pages 43 to 56 were approved and authorised for issue by the Board and were signed on 18 October 2022.

David Kidd
Chairman

The accompanying notes on pages 47 to 56 are an integral part of the Financial Statements.

* See Glossary of Terms and Alternative Performance Measures on pages 57 and 58.

Statement of Changes in Equity

For the year ended 31 August 2022

	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 2021		4,717	213,902	203	725,811	10,769	955,402
Shares bought back	13, 14	–	–	–	(3,262)	–	(3,262)
Net return on ordinary activities after taxation	14	–	–	–	(166,135)	10,661	(155,474)
Dividends paid in the year	8	–	–	–	–	(5,660)	(5,660)
Shareholders' funds at 31 August 2022		**4,717**	**213,902**	**203**	**556,414**	**15,770**	**791,006**

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**

The accompanying notes on pages 47 to 56 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 August

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation		(153,470)		162,382	
Net losses/(gains) on investments	9	174,357		(147,763)	
Currency gains		(8,222)		(5,560)	
Finance costs of borrowings		1,866		2,047	
Overseas withholding tax		(1,996)		(1,626)	
Changes in debtors and creditors		(284)		(726)	
Cash from operations			12,251		8,754
Interest paid			(1,827)		(2,066)
Net cash inflow from operating activities			10,424		6,688
Cash flows from investing activities					
Acquisitions of investments		(197,244)		(199,460)	
Disposals of investments		145,489		99,611	
Exchange differences on settlement of investment transactions		1,102		343	
Net cash outflow from investing activities			(50,653)		(99,506)
Cash flows from financing activities					
Shares (bought back)/issued		(1,709)		26,502	
Equity dividends paid	8	(5,660)		(4,134)	
Bank loans drawn down		16,189		–	
Net cash inflow from financing activities			8,820		22,368
Decrease in cash and cash equivalents			(31,409)		(70,450)
Exchange movements			(1,863)		(4,003)
Cash and cash equivalents at start of period			44,289		118,742
Cash and cash equivalents at end of period*			**11,017**		**44,289**

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

The accompanying notes on pages 47 to 56 are an integral part of the Financial Statements.

Notes to the Financial Statements

The Baillie Gifford Japan Trust PLC (the 'Company') was incorporated under the Companies Act 2006 in Scotland as a public limited company with registered number SC075954. 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.

1 Principal Accounting Policies

The Financial Statements for the year to 31 August 2022 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

(a) Basis of Accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments and derivative financial instruments at fair value through profit or loss, and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will be retained. The Board has, in particular, considered the impact of heightened market volatility during the Covid-19 pandemic and over recent months due to macroeconomic and geopolitical concerns, including rising inflation and interest rates and the Russia-Ukraine war. It has reviewed the results of specific leverage and liquidity stress testing and 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 11 which assesses the prospects of the Company over a period of five years, that the Company, notwithstanding the Company has a net current liability of £81,693,000, 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 and presentation 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 is 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. 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.

Notes to the Financial Statements (continued)

(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. 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

	2022 £'000	2021 £'000
Income from investments		
Overseas dividends	20,073	17,224
Other income		
Miscellaneous income	2	–
Total income	**20,075**	**17,224**

3 Investment Management Fee – all charged to revenue

	2022 £'000	2021 £'000
Investment management fee	**4,802**	**5,450**

Details of the Investment Management Agreement are disclosed on page 26. 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

	2022 £'000	2021 £'000
General administrative expenses	551	487
Directors' fees (see Directors' Remuneration Report on page 35)	149	143
Auditor's remuneration – statutory audit of Company's annual Financial Statements	42	38
	742	**668**

There were no fees paid to the Auditor during the year in respect of non-audit services (2021 – nil).

5 Finance Costs of Borrowings

	2022 £'000	2021 £'000
Interest on bank loans	**1,866**	**2,047**

The bank loan interest disclosed includes £58,000 (2021 – £277,000) paid in respect of yen deposits held at the custodian bank.

6 Tax on Ordinary Activities

	2022 £'000	2021 £'000
Analysis of charge in year		
Overseas taxation	**2,004**	**1,723**
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% (2021 – 19%)		
The differences are explained below:		
Net return on ordinary activities before taxation	(153,470)	162,382
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021 – 19%)	(29,159)	30,853
Effects of:		
Capital returns not taxable	31,566	(29,131)
Income not taxable	(3,814)	(3,273)
Overseas withholding tax	2,004	1,723
Taxable losses in year not utilised	1,407	1,551
Tax charge for the year	**2,004**	**1,723**

Factors that may affect future tax charges

At 31 August 2022 the Company had a potential deferred tax asset of £17,699,000 (2021 – £15,849,000) 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 (as an investment trust, 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% (2021 – 25%). 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

	2022 Revenue	2022 Capital	2022 Total	2021 Revenue	2021 Capital	2021 Total
Net return on ordinary activities after taxation	**11.31p**	**(176.19p)**	**(164.88p)**	**7.89p**	**164.97p**	**172.86p**

Revenue return per ordinary share is based on the net revenue return after taxation of £10,661,000 (2021 – £7,336,000), and on 94,292,038 (2021 – 92,939,322) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during each year.

Capital return per ordinary share is based on the net capital loss for the financial year of £166,135,000 (2021 – net capital return £153,323,000), and on 94,292,038 (2021 – 92,939,322) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) 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 £10,661,000. The revenue reserve and the capital reserve (to the extent it constitutes realised profits) are distributable by way of dividend.

	2022	2021	2022 £'000	2021
Amounts recognised as distributions in the year:				
Previous year's final dividend (paid 21 December 2021)	**6.00p**	4.50p	**5,660**	4,134

	2022	2021	2022 £'000	2021 £'000
Dividends paid and payable in respect of the year:				
Current year's proposed final dividend (payable 21 December 2022)	**9.00p**	6.00p	**8,451**	5,660

9 Investments

	2022 £'000	2021 £'000
Financial assets at fair value through profit or loss		
Listed overseas – equity investments	930,354	1,053,673
Total investments in financial assets at fair value through profit or loss	**930,354**	**1,053,673**

	Listed equities £'000
Cost of investments held at 1 September 2021	722,825
Investment holding gains at 1 September 2021	330,848
Fair value of investments held at 1 September 2021	**1,053,673**
Movements in year:	
Purchases at cost	196,530
Sales – proceeds	(145,492)
– gains on sales	18,822
Changes in investment holding gains	(193,179)
Fair value of investments held at 31 August 2022	**930,354**
Cost of investments held at 31 August 2022	792,685
Investment holding gains at 31 August 2022	137,669
Fair value of investments held at 31 August 2022	**930,354**

The purchases and sales proceeds figures above include transaction costs of £70,000 (2021 – £62,000) and £66,000 (2021 – £50,000) respectively.

	2022 £'000	2021 £'000
Net gains on investments designated at fair value through profit or loss on initial recognition		
Gains on sales	18,822	41,260
Changes in investment holding gains	(193,179)	106,503
	(174,357)	**147,763**

Of the gains on sales during the year of £18,822,000 (2021 – £41,260,000), a net gain of £18,796,000 (2021 – net gain of £19,071,000) was included in the investment holding gains at the previous year end.

10 Debtors

	2022 £'000	2021 £'000
Income accrued and prepaid expenses	2,157	2,090
Sales for subsequent settlement	3	–
Other debtors	25	21
	2,185	**2,111**

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

	2022 £'000	2021 £'000
Purchases for subsequent settlement	–	714
Bank loans (see note 12)	91,752	–
Other creditors and accruals	3,143	1,757
	94,895	**2,471**

None of the above creditors are financial liabilities designated at fair value through profit or loss. Included in other creditors is £1,163,000, (2021 – £1,389,000) in respect of the investment management fee.

12 Creditors – amounts falling due after more than one year

	2022 £'000	2021 £'000
Bank loans	**57,655**	**142,200**

Borrowing facilities

	At 31 August 2022 Drawings	At 31 August 2021 Drawings
Revolving credit facility with Mizuho Bank, Ltd. for ¥2,600 million, expiring March 2025	¥900 million (£5.579 million) at 1.196% ¥900 million (£5.579 million) at 1.182% ¥800 million (£4.960 million) at 1.187%	–
7 year fixed rate loan facility with ING Bank N.V. for ¥9,300 million, expiring November 2024	¥9,300 million (£57.655 million) at 1.585%	¥9,300 million (£61.510 million) at 1.585%
3 year fixed rate loan facility with SMBC, Europe Limited for ¥12,200 million, expiring August 2023	¥12,200 million (£75.634 million) at 0.925%	¥12,200 million (£80.690 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 (£315,000,000).

There were no breaches of loan covenants during the year.

13 Called-up Share Capital

	2022 Number	2022 £'000	2021 Number	2021 £'000
Authorised ordinary shares of 5p each	93,899,459	4,695	94,328,209	4,717
Treasury shares of 5p each	428,750	22	–	–
Total	**94,328,209**	**4,717**	**94,328,209**	**4,717**

The Company's authority permits it to hold shares bought back in 'treasury'. Such treasury shares may be subsequently either sold for cash at a premium to net asset value per ordinary share or cancelled. In the year to 31 August 2022, 428,750 shares with a nominal value of £22,000, representing 0.5% of the issued share capital at 31 August 2021, were bought back at a cost of £3,262,000 and held in treasury (2021 – nil). At 31 August 2022 the Company had authority to buy back 13,711,048 ordinary shares. Over the period from 1 September to 17 October a further 241,845 shares have been bought back and held in treasury at a cost of £1,807,000.

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

In the year to 31 August 2022, the Company sold from treasury no ordinary shares (2021 – 566,716 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 no further ordinary shares (2021 – 1,903,284 shares, at a premium to net asset value raising proceeds of £20,319,000). As at 31 August 2022 the Company had the authority to issue 9,432,821 ordinary shares. Over the period from 1 September 2022 to 17 October 2022 the Company has issued no further 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 2021	4,717	213,902	203	725,811	10,769	**955,402**
Shares bought back	–	–	–	(3,262)	–	**(3,262)**
Gains on investments	–	–	–	18,822	–	**18,822**
Changes in investment holding gains	–	–	–	(193,179)	–	**(193,179)**
Exchange differences on bank loans	–	–	–	8,983	–	**8,983**
Exchange differences on settlement of investment transactions	–	–	–	1,102	–	**1,102**
Other exchange differences	–	–	–	(1,863)	–	**(1,863)**
Revenue return on ordinary activities after taxation	–	–	–	–	10,661	**10,661**
Dividends paid in the year	–	–	–	–	(5,660)	**(5,660)**
At 31 August 2022	**4,717**	**213,902**	**203**	**556,414**	**15,770**	**791,006**

The capital reserve includes investment holding gains of £137,669,000 (2021 – £330,848,000) 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:

	2022	2021
Shareholders' funds	£791,006,000	£955,402,000
Number of ordinary shares in issue at the year end*	93,899,459	94,328,209
Shareholders' funds per ordinary share	842.4p	1,012.8p

* Excluding shares held in treasury at 31 August 2022. 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.

16 Analysis of Change in Net Debt

	At 1 September 2021 £'000	Cash flows £'000	Other non-cash charges £'000	Exchange movement £'000	At 31 August 2022 £'000
Cash at bank and in hand	44,289	(38,733)	–	5,461	11,017
Loans due in less than one year	–	(16,189)	(80,691)	5,128	(91,752)
Loans due in more than one year	(142,200)	–	80,691	3,854	(57,655)
	(97,911)	**(54,922)**	**–**	**14,443**	**(138,390)**

17 Contingent Liabilities, Guarantees and Financial Commitments

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

18 Related Party Transactions and Transactions with Investment Manager

Related Party Transactions

The Directors' fees for the year and Directors' shareholdings at 31 August 2022 are detailed in the Directors' Remuneration Report on pages 35 and 36 respectively. No Director has a contract of service with the Company.

Transactions with Investment Manager

The management fee due to Baillie Gifford and Co Limited is set out in note 3 on page 48 and the amount accrued at 31 August 2022 is set out in note 11 on page 51. Details of the Investment Management Agreement are set out on page 26.

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 21 and 22.

(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 2022	Investments £'000	Cash and cash equivalents £'000	Bank loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Total exposure to currency risk (yen)	930,354	10,957	(149,407)	1,747	793,651
Sterling	–	60	–	(2,705)	(2,645)
	930,354	**11,017**	**(149,407)**	**(958)**	**791,006**

* Includes net non-monetary assets of £94,000.

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.

Currency Risk Sensitivity

At 31 August 2022, 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 £79,365,000 (2021 – £95,672,000). 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 2022 is shown below.

Financial Assets

	2022 Fair value £'000	2022 Weighted average interest rate	2022 Weighted average period until maturity *	2021 Fair value £'000	2021 Weighted average interest rate	2021 Weighted average period until maturity *
Cash:						
Japanese yen	10,957	(<0.1%)	n/a	44,255	(0.40%)	n/a
Sterling	60	<0.1%	n/a	34	<0.1%	n/a
	11,017			**44,289**		

* 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:

	2022 Book value £'000	2022 Weighted average interest rate	2022 Weighted average period until maturity	2021 Book value £'000	2021 Weighted average interest rate	2021 Weighted average period until maturity
Bank loans:						
Yen denominated	**149,407**	**1.1%**	**17 months**	**142,200**	**1.2%**	**30 months**

Interest Rate Risk Sensitivity

An increase of 100 basis points in interest rates, with all other variables held constant, would have decreased the Company's total net assets and total return on ordinary activities for the year ended 31 August 2022 by £203,000 (2021 – increased by £443,000). This is mainly due to the Company's exposure to interest rates on its cash balances and floating rate bank loans. 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 21 and 22. In addition, various analyses of the portfolio by growth category, length of time held, sector and exchange listing are shown on pages 17 to 20.

118% (2021 – 110.0%) of the Company's net assets are invested in Japanese quoted equities. A 20% (2021 – 20%) increase in quoted equity valuations at 31 August 2022 would have increased total net assets and net return on ordinary activities after taxation by £186,071,000 (2021 – £210,735,000). A decrease of 20% (2021 – 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:

	2022 £'000	2021 £'000
In less than one year	91,752	–
In more than one year, but not more than five years	57,655	142,200
	149,407	**142,200**

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:

	2022 £'000	2021 £'000
Cash and cash equivalents	11,017	44,289
Debtors	2,064	1,992
	13,081	**46,281**

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.

	2022 Book value £'000	2022 Fair* value £'000	2021 Book value £'000	2021 Fair* value £'000
Yen bank loans	**149,407**	**150,189**	**142,200**	**144,535**

* 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 51. 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 27 and 28.

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 47.

The financial assets designated as valued at fair value through profit or loss are all categorised as Level 1 in the above hierarchy (2021 – same). None of the financial liabilities are designated at fair value through profit or loss in the Financial Statements.

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 (excluding treasury shares). 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.

(Discount)/premium (APM)

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

		31 August 2022	31 August 2021
Net asset value per share (borrowings at par value)	(a)	842.4p	1,012.8p
Share price	(b)	774.0p	1,022.0p
(Discount)/premium	((b) – (a)) ÷ (a)	**(8.1%)**	**0.9%**

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.

		2022 NAV	2022 Share Price	2021 NAV	2021 Share Price
Closing NAV per share/share price	(a)	842.4p	774.0p	1,012.8p	1,022.0p
Dividend adjustment factor*	(b)	1.0058	1.0059	1.0046	1.0046
Adjusted closing NAV per share/share price	(c) = (a) x (b)	847.3p	778.6p	1,017.5p	1,026.7p
Opening NAV per share/share price	(d)	1,012.8p	1,022.0p	840.8p	817.0p
Total return	((c) ÷ (d)) –1	**(16.3%)**	**(23.8%)**	**21.0%**	**25.7%**

* The dividend adjustment factor is calculated on the assumption that the dividend of 6.00p (2021 – 4.50p) 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.

		2022 £'000	2021 £'000
Investment management fee		4,802	5,450
Other administrative expenses		742	668
Total expenses	(a)	**5,544**	**6,118**
Average net asset value*	(b)	£843,789	£931,054
Ongoing charges	(a) ÷ (b) expressed as a percentage	**0.66%**	**0.66%**

* Average of daily net asset values calculated during the year.

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.

		2022		2021	
		Gearing * £'000	Potential Gearing † £'000	Gearing * £'000	Potential Gearing † £'000
Borrowings	(a)	149,407	149,407	142,200	142,200
Cash and cash equivalents	(b)	11,017	–	44,289	–
Shareholders' funds	(c)	791,006	791,006	955,402	955,402
		17.5%	**18.9%**	**10.2%** #	**14.9%** #

* Gearing: ((a) - (b)) divided by (c), expressed as a percentage.
† Potential gearing: (a) divided by (c), expressed as a percentage.
# 2021 comparative figures have been updated for consistency.

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.

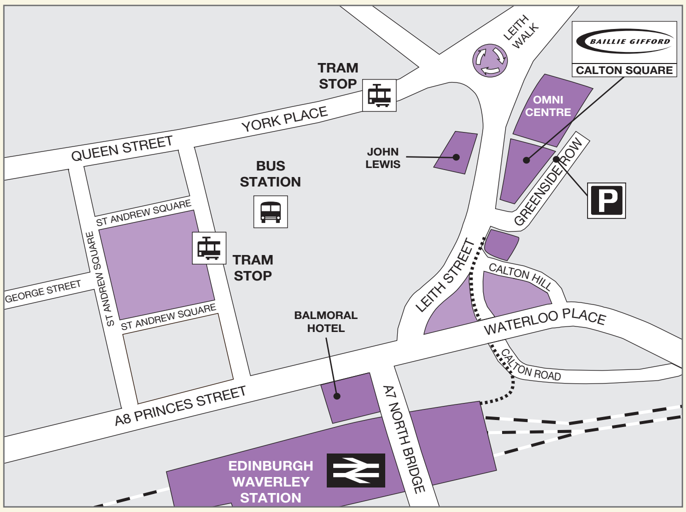
		2022		2021	
		Gross method £'000	Commitment method £'000	Gross method £'000	Commitment method £'000
Borrowings		149,407	149,407	142,200	142,200
Sterling cash		60	–	34	–
	(a)	**149,347**	**149,407**	**142,166**	**142,200**
Shareholders' funds	(b)	791,006	791,006	955,402	955,402
Leverage	((a) + (b)) ÷ (b) expressed as a ratio	**1.19:1**	**1.19:1**	**1.15:1** #	**1.15:1** #

2021 comparative figures have been updated for consistency.

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.

Notice of Annual General Meeting



By Rail:
Edinburgh Waverley – approximately a 10 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')

Following the relaxation of Government restrictions in relation to Covid-19, the Board expects to be able to welcome shareholders to the meeting. However, should public health advice and Government measures change, 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 concluded. The Board will 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 13 December 2022.

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 forty first 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, 15 December 2022 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 2022 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 2022.
3. To declare a final dividend of 9.00p per ordinary share.
4. To re-elect Mr David Kidd as a Director.
5. To re-elect Mrs Sharon Brown as a Director.
6. To re-elect Ms Joanna Pitman as a Director.
7. To re-elect Mr Sam Davis as a Director.
8. To appoint Ernst & Young 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.
9. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
10. 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 2023.

11. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (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 £468,288.07 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 12 and 13 as Special Resolutions.

12. That, subject to the passing of Resolution 11 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act'), to allot equity securities (within the meaning of section 560(1) of the Act), for cash 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 468,288.07 being approximately 10% of the nominal value of the issued share capital of the Company, as at 17 October 2022.

13. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of 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 14,039,276, 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 2023, 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
18 October 2022

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 17 October 2022 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 93,657,614 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 17 October 2022 were 93,657,614 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 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

	2022 Number of shares held	2022 %	2021 Number of shares held	2021 %
Institutions	19,303,305	20.6	15,492,219	16.4
Intermediaries/ Retail Savings Platforms	73,660,571	78.4	76,797,374	81.4
Individuals	564,995	0.6	1,586,063	1.7
Marketmakers	370,588	0.4	452,553	0.5
	93,899,459	**100.0**	**94,328,209**	**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 67).

Risks

Past performance is not a guide to future performance.

The Baillie Gifford Japan Trust PLC 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 The Baillie Gifford Japan Trust PLC 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.

The Baillie Gifford Japan Trust PLC 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.

The Baillie Gifford Japan Trust PLC 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.

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

The Baillie Gifford Japan Trust PLC 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 The Baillie Gifford Japan Trust PLC 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.

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 Regulations, 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 2022) are available at bailliegifford.com.

The Company's maximum and actual leverage (see Glossary of Terms and Alternative Performance Measures on pages 57 and 58) levels at 31 August 2022 are shown below:

Leverage

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.19:1	1.19:1

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).

Sustainable Finance Disclosure Regulation ('SFDR')

The EU Sustainable Finance Disclosure Regulation ('SFDR') does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As The Baillie Gifford Japan Trust PLC is marketed in the EU by the AIFM, Baillie Gifford & Co Limited, via the National Private Placement Regime ('NPPR') the following disclosures have been provided to comply with the high-level requirements of SFDR.

The AIFM has adopted Baillie Gifford & Co's Governance and Sustainable Principles and Guidelines as its policy on integration of sustainability risks in investment decisions.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment.

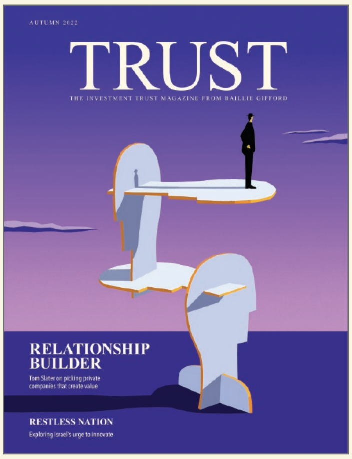
More details on the Managers' approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website (**bailliegifford.com/en/uk/about-us/literature-library/corporate-governance/our-stewardshipapproach-esg-principles-and-guidelines-2022/**).

Taxonomy Regulation

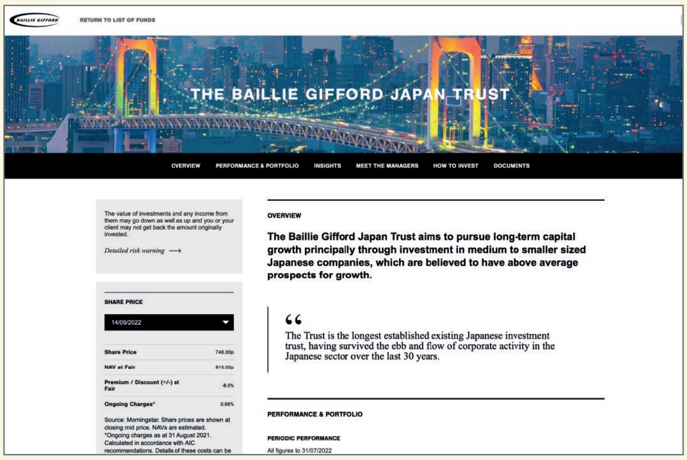
The Taxonomy Regulation establishes an EU-wide framework of criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under SFDR by introducing additional disclosure obligations in respect of alternative investment funds that invest in an economic activity that contributes to an environmental objective.

The Company does not commit to make sustainable investments as defined under SFDR. As such, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

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

Directors

Chairman:
David Kidd

Sharon Brown
Sam Davis
Joanna Pitman

Alternative Investment Fund Managers, Secretaries and Registered Office

Baillie Gifford & Co Limited
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EH1 3AN
Tel: 0131 275 2000
bailliegifford.com

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Tel: 0370 889 3221

Brokers

Investec Bank plc
30 Gresham Street
London
EC2V 7QP

Independent Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Subject to shareholder approval, the Company's Independent Auditor for the 2023 financial year will be:

Ernst & Young LLP
Chartered Accountants and Statutory Auditors
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Depositary

The Bank of New York Mellon (International) Limited
1 Canada Square
London
E14 5AL

Company Details

japantrustplc.co.uk

Company Registration No. SC075954
ISIN GB0000485838
Sedol 0048583
Ticker BGFD

Legal Entity Identifier:
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Further Information

Client Relations Team
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