

THE BAILLIE GIFFORD JAPAN TRUST PLC



Interim Financial Report
28 February 2022





Policy and Objective

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, although it invests in larger companies when considered appropriate.

Benchmark

The portfolio benchmark against which performance is measured is the TOPIX total return (in sterling terms).

Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, investment strategy risk, discount risk, regulatory risk, environmental, social and governance (ESG) risk, custody and depositary risk, smaller company risk, operational risk, leverage risk, political and associated economic risk, cyber security risk and emerging risks. An explanation of these risks and how they are managed is set out on pages 8 and 9 of the Company's Annual Report and Financial Statements for the year to 31 August 2021 and is available on the Company's website: japantrustplc.co.uk.

The principal risks and uncertainties have not changed since the date of the Annual Report. Further details on the Company's risks can be found on pages 14 and 15.

Responsibility Statement

We confirm that to the best of our knowledge:

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

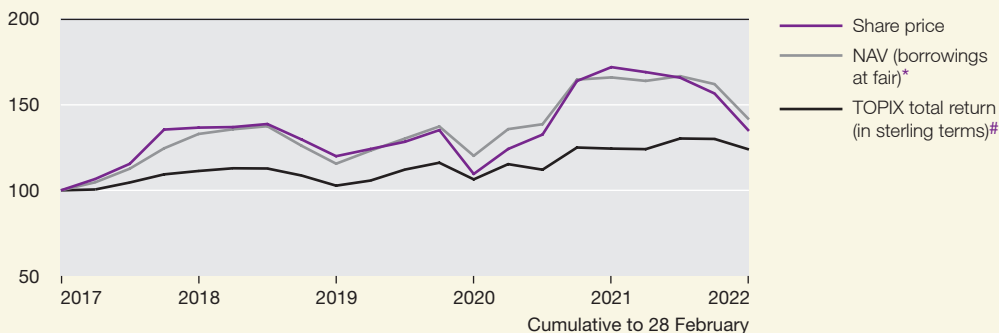
On behalf of the Board
J Keith R Falconer
Chairman
22 March 2022

Summary of Unaudited Results

	28 February 2022	31 August 2021	% change	
Shareholders' funds	£809.6m	£955.4m		
Net asset value per share*	858.3p	1,012.8p	(15.3)	
Share price	830.0p	1,022.0p	(18.8)	
(Discount)/premium*	(3.3%)	0.9%		
Active share*	81%	81%		
	Six months to 28 February 2022	Six months to 28 February 2021		
Total returns (%)				
Net asset value per share*	(14.8)	20.4		
Share price	(18.3)	30.3		
TOPIX total return (in sterling terms)#	(4.9)	11.0		
	Six months to 28 February 2022	Six months to 28 February 2021		
Revenue earnings per share	5.17p	3.40p		
	Six months to 28 February 2022		Year to 31 August 2021	
Period's high and low	High	Low	High	Low
Net asset value per share*	1,105.7p	837.4p	1,082.3p	842.9p
Share price	1,106.0p	795.0p	1,132.0p	823.0p
Premium/(discount)*	3.2%	(4.7%)	5.5%	(10.3%)

Five Year Performance

(figures rebased to 100 at 28 February 2017)



* Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 17 and 18.

Source: Baillie Gifford/Refinitiv and relevant underlying data providers. See disclaimer on page 15.

Past performance is not a guide to future performance.

Interim Management Report

During the six months to the end of February 2022 the NAV total return of your Company decreased by 14.8% whilst the share price fell by 18.3% as the shares moved from a premium to a discount to NAV. The TOPIX fell by 4.9% on a total return basis. During the period smaller and higher growth businesses have generally been out of favour as the market has focused on post-pandemic economic recovery. However, we would note, as we did last year in positive circumstances, that six months is a very short timeframe. In our view it is more helpful to consider investment over a longer time horizon, which allows time for business fundamentals to dominate sentiment. Over three years to the end of February, the NAV total return was 24.2% and over five years 43.7% compared to the TOPIX return of 20.6% and 24.0% respectively.

The three largest negative contributors to performance were Raksul (-1.1%), GA Technologies (-0.9%) and Sysmex (-0.8%). Raksul operates online services offering printing, on-demand logistics and advertising – securing unused capacity in its target industries and offering it to clients at competitive rates. We continue to believe that the company has a large growth opportunity ahead and the management capabilities to seize them. GA Technologies is attempting to automate various real-estate processes. It has been investing heavily to strengthen its software development capabilities, resulting in near-term operating losses. We believe that this is the correct approach for management to take to maximise the long-term growth opportunity. Sysmex is a very long-standing holding that focuses on blood analysis and has made a large positive contribution to performance in the past but short-term concerns relating to China have resulted in share price weakness. The use of gearing also made a negative (-1.9%) contribution.

On the positive side the largest contributors were Inpex (+1.2%) and Sumitomo Metal Mining (+0.9%). Inpex benefitted from the confluence of successful production from its Ichthys LNG project and stronger energy demand from post-pandemic economic recovery. Sumitomo Metal Mining benefitted from higher copper, nickel and gold prices. Copper and nickel are key for electrification and batteries respectively making them important to green energy development. Meanwhile Russia's invasion of Ukraine has resulted in a spike in energy and nickel prices, influencing both holdings.

During the period we bought four new holdings and sold seven holdings. Turnover remained low in line with our long-term time horizon. The new holdings are Nintendo, Shiseido, Chugoku Marine Paints and Shima Seiki. As is typical for our flexible growth style, the new holdings operate across a range of industries and include companies of a variety of sizes, including the small. Nintendo has some of the most iconic characters in the gaming world, such as Mario and Zelda. We believe that ongoing developments in gaming will allow greater value to accrue from this intellectual property. Shiseido has Japan's best skincare franchise and is particularly strong in China. This means that it should be able to show significant growth over a very long-term time horizon. Chugoku Marine Paints does what it says on the tin, providing value-added paint for ships that helps to reduce their drag through the water. Finally, Shima Seiki makes automated knitting machines. Through innovation it has developed the world's first 'Wholegarment' knitting machine that can very efficiently knit an entire garment, producing high quality clothes while helping to reduce waste. Holdings were sold for a variety of reasons. These include reduced conviction in long-term growth prospects (Asics, Subaru, Fukuoka Financial, Zenkoku Hoshu), loss of confidence in management execution abilities (Cyberdyne, Demae-can), and insufficient further upside in the shares (Gree).

Although there has been a set-back to the NAV of your Company, we remain optimistic about the future. Japan is an advanced democratic nation that adheres to the rule of law. Technological change creates opportunities for smaller growth companies. Your Company contains a blend of growth businesses ranging from high growth internet and automation businesses through to consumer brands and eclectic long-duration growth businesses. Given our satisfaction with the fundamental progress of the portfolio combined with what we believe to be particularly attractive valuations, we used the gearing to buy more shares in companies where we see significant upside. Consequently, the level of net gearing rose and ended the period at 16.9%. In summary, our view is that your Company has a well-diversified portfolio of quality growth companies with sound long-term prospects available at particularly attractive valuations.

See Glossary of Terms and Alternative Performance Measures on pages 17 and 18.

Total return information is sourced from Baillie Gifford/Refinitiv. See disclaimer on page 15.

Past performance is not a guide to future performance.

Historical Growth Sector Distribution and Recent Portfolio Activity

Portfolio Allocation %	28 February 2022	New buys	Complete sales
	Secular Growth 43.2%		Cyberdyne Subaru Demae-Can
	Growth Stalwarts 13.1%	Nintendo Shiseido	Asics Fukuoka Financial Zenkoku Hoshō
	Special Situations 19.0%		Gree
	Cyclical Growth 24.7%	Chugoku Marine Paints Shima Seiki	

Past performance is not a guide to future performance.

Equity Portfolio by Growth Category as at 28 February 2022

In line with our investment process, the portfolio is grouped into Growth Categories.

Secular Growth ¹	% of total investments	Growth Stalwarts ²	% of total investments	Secular Growth	
SBI	3.8	Calbee	2.8		
Rakuten	3.3	Shiseido	2.3		
GMO Internet	3.2	Nintendo	2.1		
Fanuc	3.2	Uni Charm	1.7		
CyberAgent	3.0	Pola Orbis	1.6		
Kubota	2.6	Makita	0.8		
Misumi	2.5	Sugi	0.6		
Systemx	2.3	Park24	0.5		
Nidec	1.9	Secom	0.4		
Sato	1.6	Sawai Pharmaceutical	0.3		
MonotaRO	1.5	Total	13.1	Growth Stalwarts	
Raksul	1.3	Special Situations ³	% of total investments		
Mercari	1.2	SoftBank	4.7		
Recruit Holdings	1.1	Inpex	3.1		
Topcon	1.0	MS&AD Insurance	3.0		
SMC	1.0	Sony	3.0		
Toyota Tsusho	0.8	Mixi	2.4		
TKP	0.8	Colopl	1.4		
Infomart	0.7	Tokyo Tatemono	1.4		
Keyence	0.7	Total	19.0		Special Situations
Healios K.K.	0.7	Cyclical Growth ⁴	% of total investments		
GA Technologies	0.6	Sumitomo Mitsui Trust	3.0		
Shimano	0.6	Sumitomo Metal Mining	3.0		
Digital Garage	0.6	Itochu	2.9		
Broadleaf	0.5	Bridgestone	2.9		
Istyle	0.4	Denso	2.8		
Peptidream	0.4	Murata Manufacturing	1.6		
Bengo4.com	0.4	DMG Mori	1.4		
Noritsu Koki	0.4	Nifco	1.4		
Base	0.3	Mitsubishi Electric	1.3		
Nippon Ceramic	0.3	Rohm	1.0		
Rizap	0.3	Outsourcing	0.9		
Lifull	0.2	lida	0.7		
Total	43.2	Tsubaki Nakashima	0.6		
		Chugoku Marine Paints	0.5		
		Shima Seiki	0.4		
		Mazda Motor	0.3		
		Total	24.7	Cyclical Growth	

¹ Secular Growth: Opportunity to grow rapidly but where there are a number of potential outcomes.

² Growth Stalwarts: Growth is less rapid but more predictable.

³ Special Situations: Performance has not been good but there is a reason to believe improvements are underway.

⁴ Cyclical Growth: Earnings do not rise every year but are expected to be higher from one cycle to the next.

Twenty Largest Holdings at 28 February 2022

Name	Business	Value £'000	% of total investments
SoftBank	Telecom operator and technology investor	44,357	4.7
SBI	Online financial services	35,988	3.8
Rakuten	Internet retail and financial services	31,468	3.3
GMO Internet	Internet conglomerate	30,429	3.2
Fanuc	Robotics manufacturer	29,980	3.2
Inpex	Oil and gas producer	29,097	3.1
Sumitomo Mitsui Trust	Japanese trust bank and investment manager	28,638	3.0
MS&AD Insurance	Insurance	28,438	3.0
Sony	Consumer electronics, films and finance	28,154	3.0
CyberAgent	Japanese internet advertising and content	28,117	3.0
Sumitomo Metal Mining	Smelting and copper, nickel and gold mining	28,032	3.0
Itochu	General trading firm	27,248	2.9
Bridgestone	Tyre Manufacturing	26,888	2.9
Calbee	Branded snack foods	26,740	2.8
Denso	Auto parts	26,614	2.8
Kubota	Agricultural machinery	24,168	2.6
Misumi	Online distributor of precision machinery parts	23,998	2.5
Mixi	Mobile gaming	23,188	2.4
Sysmex	Medical testing equipment	21,597	2.3
Shiseido	Japanese cosmetics manufacturer	21,363	2.3
Total		564,502	59.8

Income Statement (unaudited)

	For the six months ended 28 February 2022			For the six months ended 28 February 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on sales of investments	–	18,469	18,469	–	27,969	27,969
Movement in investment holding gains	–	(165,919)	(165,919)	–	120,497	120,497
Currency gains	–	2,426	2,426	–	4,945	4,945
Income from investments and interest receivable	9,612	–	9,612	8,025	–	8,025
Investment management fee	(2,540)	–	(2,540)	(2,696)	–	(2,696)
Other administrative expenses	(350)	–	(350)	(319)	–	(319)
Net return before finance costs and taxation	6,722	(145,024)	(138,302)	5,010	153,411	158,421
Finance costs of borrowings	(886)	–	(886)	(1,083)	–	(1,083)
Net return before taxation	5,836	(145,024)	(139,188)	3,927	153,411	157,338
Tax	(961)	–	(961)	(802)	–	(802)
Net return after taxation	4,875	(145,024)	(140,149)	3,125	153,411	156,536
Net return per ordinary share (note 5)	5.17p	(153.74p)	(148.57p)	3.40p	166.88p	170.28p

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

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

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

The accompanying notes on pages 11 to 13 are an integral part of the Financial Statements.

Balance Sheet (unaudited)

	At 28 February 2022 £'000	At 31 August 2021 £'000
Fixed assets		
Investments held at fair value through profit or loss (note 6)	944,570	1,053,673
Current assets		
Debtors	4,388	2,111
Cash and cash equivalents	2,478	44,289
	6,866	46,400
Creditors		
Amounts falling due within one year	(2,717)	(2,471)
Net current assets	4,149	43,929
Total assets less current liabilities	948,719	1,097,602
Creditors		
Amounts falling due after more than one year:		
Bank loans (note 7)	(139,126)	(142,200)
Net assets	809,593	955,402
Capital and reserves		
Share capital	4,717	4,717
Share premium	213,902	213,902
Capital redemption reserve	203	203
Capital reserve	580,787	725,811
Revenue reserve	9,984	10,769
Shareholders' funds	809,593	955,402
Net asset value per ordinary share*	858.3p	1,012.8p
Ordinary shares in issue (note 8)	94,328,209	94,328,209

* See Glossary of Terms and Alternative Performance Measures on pages 17 and 18.

The accompanying notes on pages 11 to 13 are an integral part of the Financial Statements.

Statement of Changes in Equity (unaudited)

For the six months ended 28 February 2022

	Share capital £'000	Share premium £'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
Net return after taxation	–	–	–	(145,024)	4,875	(140,149)
Dividends paid during the period (note 4)	–	–	–	–	(5,660)	(5,660)
Shareholders' funds at 28 February 2022	4,717	213,902	203	580,787	9,984	809,593

For the six months ended 28 February 2021

	Share capital £'000	Share premium £'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	12	5,478	–	3,429	–	8,919
Net return after taxation	–	–	–	153,411	3,125	156,536
Dividends paid during the period (note 4)	–	–	–	–	(4,134)	(4,134)
Shareholders' funds at 28 February 2021	4,633	196,417	203	725,899	6,558	933,710

* The capital reserve balance at 28 February 2022 includes investment holding gains on investments of £164,930,000 (28 February 2021 – gains of £344,842,000).

The accompanying notes on pages 11 to 13 are an integral part of the Financial Statements.

Condensed Cash Flow Statement (unaudited)

	Six months to 28 February 2022 £'000	Six months to 28 February 2021 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation	(139,188)	157,338
Net losses/(gains) on investments	147,450	(148,466)
Currency gains	(2,426)	(4,945)
Finance costs of borrowings	886	1,083
Overseas withholding tax	(839)	(729)
Changes in debtors and creditors	(1,439)	(562)
Cash from operations	4,444	3,719
Interest paid	(913)	(1,096)
Net cash inflow from operating activities	3,531	2,623
Cash flows from investing activities		
Acquisitions of investments	(129,815)	(139,300)
Disposals of investments	90,781	77,207
Exchange differences	(7)	636
Net cash outflow from investing activities	(39,041)	(61,457)
Shares issued (note 8)	–	8,919
Equity dividends paid (note 4)	(5,660)	(4,134)
Net cash (outflow)/inflow from financing activities	(5,660)	4,785
Decrease in cash and cash equivalents	(41,170)	(54,049)
Exchange movements	(641)	(3,948)
Cash and cash equivalents at start of period*	44,289	118,742
Cash and cash equivalents at end of period*	2,478	60,745

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

The accompanying notes on pages 11 to 13 are an integral part of the Financial Statements.

Notes to the Condensed Financial Statements (unaudited)

1 Basis of Accounting

The condensed Financial Statements for the six months to 28 February 2022 comprise the statements set out on the previous pages together with the related notes on pages 11 to 13. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and updated in October 2019 and April 2021 with consequential amendments. They have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Financial Statements for the six months to 28 February 2022 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 31 August 2021.

Going Concern

Having considered the Company's principal risks and uncertainties, as set out on the inside front cover, together with its current position, investment objective and policy, its assets and liabilities, and projected income and expenditure, together with the Company's dividend policy, it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The Board has, in particular, considered the heightened market volatility due to the Russian invasion of Ukraine and the ongoing coronavirus (Covid-19) pandemic but does not believe the Company's going concern status is affected. 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. In accordance with the Company's Articles of Association, shareholders have the right to vote annually at the Annual General Meeting on whether to continue the Company. The next continuation vote will be in December 2022. The Directors have no reason to believe that the continuation resolution will not be passed at the Annual General Meeting. 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. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these Financial Statements.

2 Financial Information

The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 August 2021 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying its report and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

3 Investment Manager

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager and Company Secretary. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on not less than 6 months' notice, or on shorter notice in certain circumstances. 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.

Notes to the Condensed Financial Statements (unaudited) (continued)

4 Dividends

	Six months to 28 February 2022 £'000	Six months to 28 February 2021 £'000
Amounts recognised as distribution in the period:		
Previous year's final dividend of 6.00p paid 21 December 2022 (2021 – 4.50p paid on 11 December 2020)	5,660	4,134

No interim dividend has been declared.

5 Net Return per Ordinary Share

	Six months to 28 February 2022 £'000	Six months to 28 February 2021 £'000
Revenue return after taxation	4,875	3,125
Capital return after taxation	(145,024)	153,411
Total net return	(140,149)	156,536
Weighted average number of ordinary shares in issue	94,328,209	91,929,766

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

6 Fair Value

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 fair value of listed investments is the last traded price which is equivalent to the bid price on Japanese markets.

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

All of the Company's investments fall into Level 1 for the periods reported.

Notes to the Condensed Financial Statements (unaudited) (continued)

7 Bank Loans

Bank loans of £139.1 million (¥21.5 billion) have been drawn down under yen loan facilities which are repayable between August 2023 and November 2024 (31 August 2021 – £142.2 million (¥21.5 billion)).

8 Share Capital

The Company has the authority to issue shares/sell treasury shares at a premium to net asset value as well as to buy back shares at a discount to net asset value.

During the period, no shares were issued (28 February 2021 – 815,000 shares (of which 556,716 came from treasury) were issued at a premium to net asset value raising net proceeds of £8,919,000). There were no shares held in treasury at 28 February 2022 (28 February 2021 – nil).

During the period to 28 February 2022, no ordinary shares were bought back into treasury (2021 – no shares were bought back). As at 28 February 2022 the Company has authority remaining to buy back 14,139,798 ordinary shares.

9 Transaction Costs

Transaction costs incurred on the purchase and sale of the investments are added to the purchase cost or deducted from the sales proceeds, as appropriate. During the period, transaction costs on purchases amounted to £48,000 (28 February 2021 – £40,000) and transaction costs on sales amounted to £50,000 (28 February 2021 – £40,000).

10 Related Party Transactions

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

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

Further Shareholder Information

How to Invest

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

Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone (your call may be recorded for training or monitoring purposes), e-mail or post. See contact details in the 'Further Information' box on the back cover.

Automatic Exchange of Information

In order to fulfil its obligations under UK tax legislation relating to the automatic exchange of information, The Baillie Gifford Japan Trust PLC is required to collect and report certain information about certain shareholders.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, 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.

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.

Risk Warnings

Past performance is not a guide to future performance.

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

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

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

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

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

Investment in smaller companies is generally considered higher risk as changes in their share prices may be greater and the shares may be harder to sell. Smaller companies may do less well in periods of unfavourable economic conditions.

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

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

Further Shareholder Information (continued)

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

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

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

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

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

The staff of Baillie Gifford & Co may hold shares in Baillie Gifford Japan Trust and may buy or sell such shares from time to time.

Further details of the risks associated with investing in the Company, including a Key Information Document and how charges are applied, 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.

Third Party Data Provider Disclaimer

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Benchmark

The Benchmark for the Company where stated in the Interim Financial Report is the TOPIX total return (in sterling terms).

Sustainable Finance Disclosures Regulation ('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 believes that a company cannot be financially sustainable in the long run if its approach to business is fundamentally out of line with changing societal expectations. It defines 'sustainability' as a deliberately broad concept which encapsulates a company's purpose, values, business model, culture, and operating practices.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build up an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. The likely impact on the return of the portfolio from a potential or actual material decline in the value of investment due to the occurrence of an environmental, social or governance event or condition will vary and will depend on several factors including but not limited to the type, extent, complexity and duration of an event or condition, prevailing market conditions and existence of any mitigating factors.

Whilst consideration is given to sustainability matters, there are no restrictions on the investment universe of the Company, unless otherwise stated within its Objective & Policy. Baillie Gifford & Co can invest in any companies it believes could create beneficial long-term returns for investors. However, this might result in investments being made in companies that ultimately cause a negative outcome for the environment or society.

More detail on the Investment Manager's 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/governance-sustainability-principles-and-guidelines/](https://www.bailliegifford.com/en/uk/about-us/literature-library/corporate-governance/governance-sustainability-principles-and-guidelines/).

Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework or criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under the EU Sustainable Finance Disclosure Regulation ('SFDR') by introducing additional disclosure obligations in respect of AIFs that invest in an economic activity that contributes to an environmental objective. These AIFs are required to disclose (a) information on the environmental objective to which the investments underlying the AIF contribute (b) a description of how and to what extent the underlying investments of the AIF are in economic activities that qualify as environmentally sustainable and are aligned with the Taxonomy Regulation (c) the proportion, as a percentage of the AIF's portfolio, of investments in environmentally sustainable economic activities which are aligned with the Taxonomy Regulation (including the proportion, as a percentage of the AIF's portfolio, of enabling and transitional activities, as described in the Taxonomy Regulation). These disclosure obligations are being phased-in – from 1 January 2022 in respect to the first two environmental objectives (climate change mitigation and climate change adaptation) and from 1 January 2023 in respect of the remaining four environmental objectives.

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.

Glossary of Terms and Alternative Performance Measures (APM)

Total Assets

Total assets less current liabilities, before deduction of all borrowings at par value.

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

Net Current Assets

Net current assets comprise current assets less current liabilities, excluding long-term borrowings at par value.

(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.

		28 February 2022	31 August 2021
Net Asset Value per ordinary share	(a)	858.3p	1,012.8p
Share price	(b)	830.0p	1,022.0p
(Discount)/premium	(b - a) ÷ a expressed as a percentage	(3.3%)	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.

		Feb 2022 NAV (par)	Feb 2022 Share Price	Feb 2021 NAV (par)	Feb 2021 Share Price
Closing NAV per share/share price	(a)	858.3p	830.0p	1,007.5p	1,060.0p
Dividend adjustment factor*	(b)	1.0058	1.0059	1.0046	1.0046
Adjusted closing NAV per share/ share price	(c) = (a) x (b)	863.3p	834.9p	1,012.1p	1,064.9p
Opening NAV per share/ share price	(d)	1,012.8p	1,022.0p	840.8p	817.0p
Total return	((c ÷ d) - 1)	(14.8%)	(18.3%)	20.4%	30.3%

* The dividend adjustment factor is calculated on the assumption that the dividend of 6.00p (2021 – 4.50p) paid by the Company in the period under review was invested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

Glossary of Terms and Alternative Performance Measures (APM) (continued)

Gearing (APM)

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gearing 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 at par as a percentage of shareholders' funds.

Leverage (APM)

For the purposes of the Alternative Investment Fund Managers (AIFM) Regulations, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Active Share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

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