THE BAILLIE GIFFORD JAPAN TRUST PLC

Annual Report and Financial Statements
31 August 2017

BAILLIE GIFFORD

Contents

Investor Disclosure Document

The EU Alternative Investment Fund Managers Directive 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 **www.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.

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 Financial Conduct Authority (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, 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-Jo (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 2017

Share Price +37.5% **NAV +27.6%** **Benchmark* +18.8%**

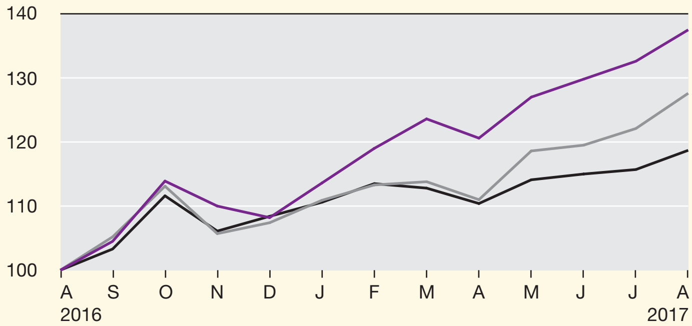
Share Price, NAV and Benchmark

(figures rebased to 100 at 31 August 2016)

Share price

NAV (after deducting borrowings at fair value)

Benchmark*

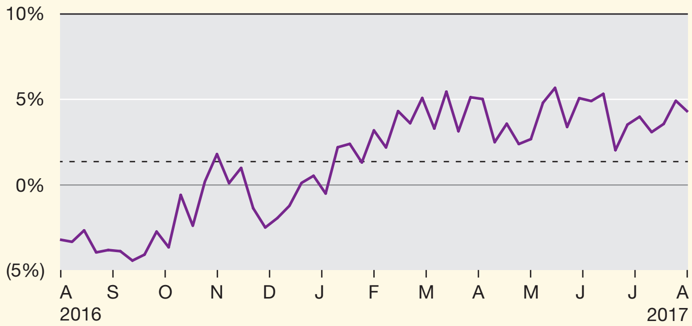


Premium/(Discount) to Net Asset Value

(figures plotted on a weekly basis)

Premium/(discount) (after deducting borrowings at fair value)

Average premium (after deducting borrowings at fair value)



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

Source: Thomson Reuters Datastream/Baillie Gifford. See disclaimer on page 57.

Past performance is not a guide to future performance.

Strategic Report

The Strategic Report, which includes pages 2 to 19 and incorporates the Chairman's Statement has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

I am very pleased to report on another strong year for your Company with the net asset value (after deducting borrowings at fair value) rising 27.6%, compared to a 18.8% rise in the benchmark TOPIX index total return (in sterling terms). The share price increased by 37.5%, breaking through 700p for the first time, and the Company's shares are currently trading at a premium to NAV (after deducting borrowings at fair value) of 4.3%. The majority of investment trusts in the Japanese sector have been trading at discounts for some considerable time now while Japan Trust has traded at or near a premium for most of the last two years. This overall strong performance continues to build on impressive five and ten year records for the Japan Trust.

As with most recent years, stock selection (+3.0%) and gearing (+3.5%) both contributed strongly to the returns; further performance details are to be found in the Managers' Report.

Investment income increased by 20% to £8.48m for the year, due in the main to increased dividends. Expenses increased by 22% due mainly to higher management fees (up £0.61m to £3.18m) in line with the substantial increase in net asset value. It is worth noting that the reduction in management fee secured by the Board last year (now 0.55% for net assets in excess of £250m) has served shareholders well, saving £0.25m in fees for the full year.

Overall revenue gain per share was 2.80p (2016 – 2.35p) while ongoing charges for the year dropped to 0.8% (2016 – 0.9%), though as in prior years no dividend will be paid while the revenue reserve remains in deficit.

Portfolio Management Responsibilities

Sarah Whitley, who has managed the Company's portfolio since 1991, will be retiring from Baillie Gifford, the Company's Investment Manager, on 30 April 2018. Baillie Gifford, with the full support of the Board and Sarah Whitley, will appoint Matthew Brett as the Company's portfolio manager and Praveen Kumar as the Company's deputy portfolio manager with effect from that date. Sarah will work closely with Matthew and Praveen to ensure a smooth transition in portfolio management responsibilities.

As background for shareholders, Matthew Brett joined Baillie Gifford in 2003 and is an Investment Manager in the Japanese Equities team. He co-manages the £1.8bn Baillie Gifford Japanese Fund with Sarah and has been attending all Japan Trust Board meetings since 2008, providing excellent insight on our investments. Praveen Kumar joined Baillie Gifford in 2008, is also an Investment Manager in the Japanese Equities team and is the portfolio manager of Baillie Gifford Shin Nippon PLC.

On behalf of the Board I would like to thank Sarah for her truly significant contribution to the Company. Her dedicated professionalism, quite exceptional knowledge of Japan and its markets and discriminating judgement have been accompanied throughout the four decades of her career by an unswerving enthusiasm for all things Japanese. That Sarah was often in the minority of investors to firmly believe in the ongoing investment opportunities in Japanese companies has brought great benefit to the Japan Trust. Sarah has managed the Company since 1991 and, in the period from 30 September 1991 to 31 August 2017, the Company's NAV increased by 545% compared to the return on the TOPIX index (in sterling terms) of 156% and she has mentored those on the Baillie Gifford Japan Desk with great success. In Matthew Brett we have a fine successor to Sarah having worked with the Board for almost ten years, and I look forward to the continued success of the Trust under his stewardship.

Gearing

Gearing amounted to 17% of shareholders' funds at the start of the year and ended the year at 13%. Gross borrowings increased to ¥11.7bn (2016 – ¥10.2bn) while the sterling value of these loans in the balance sheet rose to £82.5m at the year end (2016 – £75.3m). Given the very low cost of yen loans and the positive contribution of gearing to performance during the year, we continue to believe that borrowing to invest in Japanese equities is a sensible strategy.

Share Capital

The Company did not exercise its share buy back powers during the year; however, your Board believes it is important that the Company retains this power 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 only issued/re-issued at a premium to net asset value, thereby enhancing net asset value per share for existing shareholders.

During the year to 31 August 2017, 5.1m shares were issued at a premium to net asset value raising proceeds of £34m, continuing the trend of recent years. The Directors are, once again, seeking 10% share issuance authority at the Annual General Meeting and we will continue to issue shares only when at a premium to net asset value. This authority will expire at the conclusion of the Annual General Meeting in 2018.

Past performance is not a guide to future performance.

Continuation Vote

Our shareholders have the right to vote annually on whether the Company should continue in business, and will again have the opportunity to do so at the Annual General Meeting to be held on 30 November 2017.

Last year the Company again received support for its continuation. Your Directors are still of the opinion that there remain attractive opportunities in selected, well-run Japanese companies and given the long-term favourable outlook for the Japan Trust. To that end my fellow Directors and I intend, where possible, to vote our own shareholdings in favour of the resolution and hope that all shareholders will feel disposed to do likewise.

Board

Your Board is committed to high standards of corporate governance. In particular it recognises the need to have a balance of skills, experience and length of service which forms part of our succession planning discussions at our Nomination Committee meetings. Given the above it also believes that membership of the Board should be refreshed over time and would like to note that Paul Dimond intends to retire from the Board at the conclusion of the Company's 2018 Annual General Meeting. The process for identifying a new board member is in hand and the Board intends that a new Director will have been identified and appointed by this time next year. The appointment would then fall to be ratified by shareholders at the Company's 2018 Annual General Meeting.

Outlook

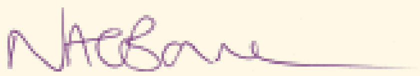
The year to 2017 saw ongoing strength in Japanese equities. Our Managers continued to find extremely interesting companies in which to invest, with their expertly researched 'bottom up' approach to stock selection adding significant value to the portfolio.

Business sentiment in Japan has been improving in recent years, with many positive aspects to the economic and consumer confidence indices following through into company results and consumer activity. However, with political tension in the region rising following North Korea's missile testing and President Trump's written and verbal reactions adding to that tension, we remain vigilant in assessing the impact such uncertainties can bring to the stocks we invest in. There are many things to remain positive about within Japan as a whole. Corporate governance changes are continuing, for example, it is now a requirement for shareholders to disclose how they vote on resolutions, and distributions to shareholders have continued to rise. These developments are all adding to the underlying strength of the economy and confidence in the management teams running the companies we invest in.

During the year your Manager and her team have again outperformed the market through their stock selection methodology, with Baillie Gifford Japan remaining a popular choice for investors. The Board visited Japan in May with the Managers, meeting CEOs and senior management of many current and potential investments. We returned home with an even more positive outlook for your Trust given the impressive entrepreneurial spirit we found that many fail to give Japan credit for, a real commitment to the social fabric of the country through profitable progress and investment, allied to new technologies that will blossom in this evolving technological age. The Managers firmly believe this will contribute to further strong results for shareholders.

As mentioned above Sarah Whitley is retiring from Baillie Gifford next April after a remarkable career spanning four decades, proving pivotal to the successful growth of the Japan Trust while maintaining an evident passion for her work. The Trust has prospered greatly under Sarah's stewardship and we will be sorry to see her retire but in Matthew Brett we have a more than able successor. He takes over the reigns with her full confidence and blessing along with that of your Board, is well thought of within Baillie Gifford and already known to many of our major shareholders. We look forward to him continuing to build on the successful performance of Baillie Gifford Japan Trust long into the future.

In summary, we believe there continue to be significant opportunities for investment growth among the companies in our portfolio, in addition to other investments currently under consideration, and that the Managers' approach of investing for medium to long-term growth will indeed capitalise on these opportunities going forward.



Nick AC Bannerman
Chairman
23 October 2017

Past performance is not a guide to future performance.

One Year Summary

	31 August 2017	31 August 2016	% change
Total assets (before deduction of bank loans)	£657.7m	£500.3m	
Bank loans	£82.5m	£75.3m	
Shareholders' funds	£575.2m	£425.0m	
Net asset value per share (after deducting borrowings at fair value)	682.4p	534.6p	27.6
Net asset value per share (after deducting borrowings at par value)	685.8p	539.8p	27.0
Share price	711.5p	517.5p	37.5
TOPIX total return (in sterling terms)*			18.8
Yen/sterling exchange rate	141.8	135.5	(4.4)
Revenue earnings per ordinary share	2.80p	2.35p	
Ongoing charges	0.78%	0.88%	
Premium/(discount) (after deducting borrowings at fair value)	4.3%	(3.2%)	
Premium/(discount) (after deducting borrowings at par value)	3.7%	(4.1%)	
Active share†	85%	86%	

Year to 31 August	2017	2017	2016	2016
Year's high and low	**High**	**Low**	**High**	**Low**
Net asset value per share (after deducting borrowings at fair value)	683.2p	521.5p	557.4p	360.8p
Net asset value per share (after deducting borrowings at par value)	686.6p	526.7p	563.0p	365.4p
Share price	711.5p	511.8p	532.5p	385.0p
Premium/(discount) (after deducting borrowings at fair value)	6.2%	(5.2%)	8.9%	(8.8%)
Premium/(discount) (after deducting borrowings at par value)	5.4%	(6.1%)	7.5%	(9.8%)

	31 August 2017	31 August 2016
Net return per ordinary share		
Revenue	2.80p	2.35p
Capital	142.75p	108.24p
Total	**145.55p**	**110.59p**

* Source: Thomson Reuters Datastream. See disclaimer on page 57.

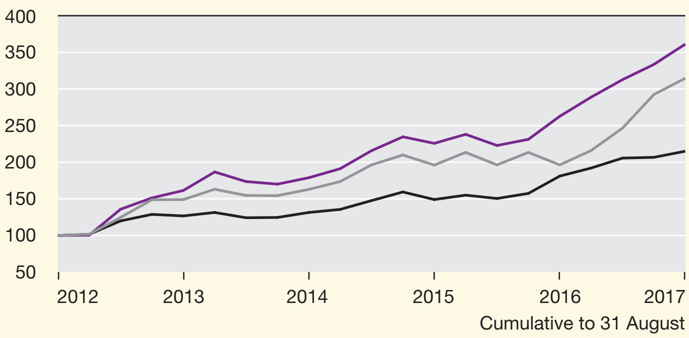
† See Glossary of terms on page 58.

Five Year Summary

The following charts indicate how an investment in Baillie Gifford Japan has performed relative to its benchmark and its underlying net asset value over the five year period to 31 August 2017.

5 Year Performance

(figures rebased to 100 at 31 August 2012)



Source: Thomson Reuters Datastream/Baillie Gifford.

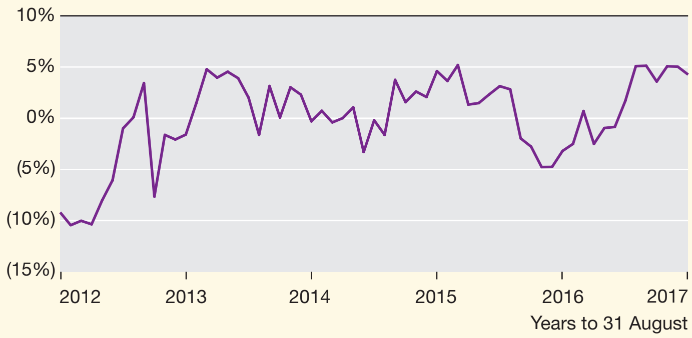
Share price

NAV (at fair)

Benchmark*

Premium/(Discount) to Net Asset Value

(figures plotted on a monthly basis)

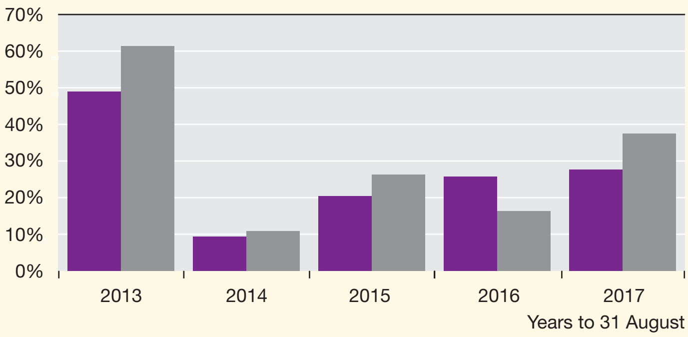


Source: Thomson Reuters Datastream/Baillie Gifford.

Baillie Gifford Japan (discount)/premium

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

Annual Change in Net Asset Value and Share Price

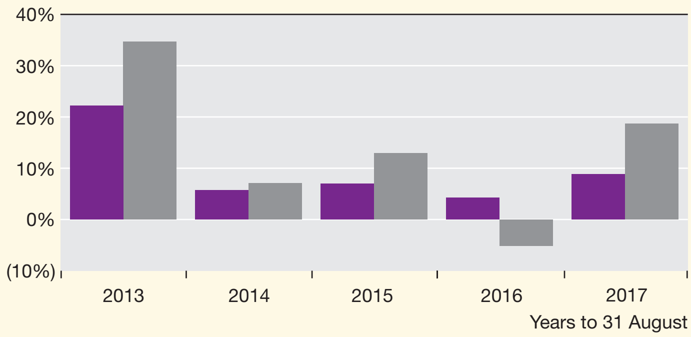


Source: Thomson Reuters Datastream/Baillie Gifford.

NAV return (at fair)

Share price return

Annual Change in Net Asset Value and Share Price relative to the Benchmark* (in sterling terms)



Source: Thomson Reuters Datastream/Baillie Gifford.

NAV return (at fair)

Share price return

* The benchmark is the TOPIX total return (in sterling terms). See disclaimer on page 57.

Past performance is not a guide to future performance.

Ten Year Record

Capital

At 31 August	Total assets £'000	Bank loans £'000	Shareholders' funds £'000	Net asset value per share at par * p	Share price p	Premium/ (discount) † %
2007	163,115	26,945	136,170	219.9	207.8	(5.5)
2008	138,168	26,775	111,393	179.9	160.0	(11.1)
2009	138,775	23,481	115,294	186.2	153.3	(17.7)
2010	143,641	27,508	116,133	187.5	153.8	(18.0)
2011	162,218	28,511	133,707	215.9	192.4	(10.9)
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**

* Net asset value per ordinary share has been calculated after deducting borrowings at par value. See Glossary of terms on page 58.

† Premium/(discount) is the difference between the Company's quoted share price and its underlying net asset value (at par) expressed as a percentage of net asset value. See Glossary of terms on page 58.

Revenue

Gearing Ratios

Year to 31 August	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary share p	Ongoing charges # %	Gearing ‡ %	Potential gearing ¶ %
2007	1,844	(326)	(0.52)	1.16	18	20
2008	2,195	246	0.40	1.17	15	24
2009	2,422	532	0.86	1.09	15	20
2010	2,605	447	0.72	1.23	18	24
2011	2,664	238	0.38	1.27	18	21
2012	3,251	777	1.25	1.20	19	21
2013	3,177	141	0.22	1.13	16	17
2014	3,746	322	0.47	0.90	15	17
2015	4,316	199	0.28	0.90	14	17
2016	7,090	1,823	2.35	0.88	17	18
2017	**8,480**	**2,235**	**2.80**	**0.78**	**13**	**14**

\# Total operating costs divided by average net asset value (with debt at fair value). See Glossary of terms on page 58. The 2008 figure excludes the impact of VAT on management fees recovered.

‡ Total assets (including all debt used for investment purposes) less all cash and cash equivalents divided by shareholders' funds. See Glossary of terms on page 58.

¶ Total assets (including all debt used for investment purposes) divided by shareholders' funds. See Glossary of terms on page 58.

Cumulative Performance (taking 2007 as 100)

At 31 August	Net asset value per share (at par)	Share price	Benchmark §^
2007	100	100	100
2008	82	77	92
2009	85	74	93
2010	85	74	92
2011	98	93	94
2012	99	95	91
2013	147	153	115
2014	163	170	120
2015	196	214	136
2016	246	249	165
2017	**312**	**342**	**196**
Compound annual returns			
5 year	25.8%	29.3%	16.6%
10 year	12.1%	13.1%	7.0%

§ On 1 September 2009, the Company changed its benchmark to TOPIX total return from TOPIX capital return. For the purposes of the above table the returns on the benchmarks for their respective periods have been linked to form a single benchmark.

^ Source: Thomson Reuters Datastream/Baillie Gifford, see disclaimer on page 57.

Past performance is not a guide to future performance.

Business Review

Business Model

Business and Status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital, although, subject to shareholder approval sought annually, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand. The Company has obtained approval as an investment trust from HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010.

The Company is an Alternative Investment Fund (AIF) for the purposes of the EU Alternative Investment Fund Managers Directive.

Objective and Policy

The Baillie Gifford Japan Trust aims to achieve long term capital growth principally through investment in medium and 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 only be held where the Managers continue to be convinced of the merits of the investment case.

On acquisition, no more than 15% of the Company's gross 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 16 to 19 and in the Managers' Report and Review of Investments.

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 per ordinary share compared to the benchmark;

— the movement in the share price;

— the premium/discount of the share price to the net asset value per share; and

— the ongoing charges.

An explanation of these measures can be found in the Glossary of Terms on page 58.

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

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

Borrowings

Total borrowings at 31 August 2017 were ¥11.7 billion and are detailed in note 11 on page 44. Borrowings of ¥1.5 billion were drawn down during the year fully utilising the five year ¥3 billion revolving loan facility with Scotiabank Europe plc maturing in August 2020.

Currency Hedging

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

Principal Risks

As explained on page 25 there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A description of these risks and how they are being managed or mitigated is set out below:

Financial Risk – the Company's assets consist of listed securities and its principal financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 17 to the Financial Statements on pages 46 to 49. To mitigate this risk the Board considers at each meeting 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.

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 discount/premium to Net Asset Value at which the shares trade; and movements in the share register.

Discount Risk – the discount/premium 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 discount/premium at which the shares trade and the Company has authority to buy back its existing shares when deemed to be in the best interests of the Company and its shareholders.

Regulatory Risk – failure to comply with applicable legal and regulatory requirements such as the tax rules for investment companies, the UKLA 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. 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.

Custody and Depositary Risk – safe custody of the Company's assets may be compromised through control failures by the Depositary, including cyber hacking. 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 Internal Audit Department and a summary of the key points is reported to the Audit Committee and any concerns investigated. In addition, the existence of assets is subject to annual external audit.

Smaller Company Risk – the Company has investments in smaller companies which are generally considered higher risk as changes in their share prices may be greater and the shares may be harder to sell. Smaller companies may do less well in periods of unfavourable economic conditions. To mitigate this risk, the Board reviews the investment portfolio at each meeting and discusses the investment case and portfolio weightings with the Managers. A spread of risk is achieved by holding a minimum of 40 stocks.

Operational Risk – failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption 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.

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's investments are in listed securities that are readily realisable. Further information on leverage can be found on page 57 and in the Glossary of Terms on page 58.

Political Risk – political developments are closely monitored and considered by the Board. The Board has noted the results of the UK Referendum on continuing membership of the European Union. Whilst there is considerable uncertainty at present, the Board will continue to monitor developments as they occur and assess the potential consequences for the Company's future activities.

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 C2.2 of the UK Corporate Governance Code, assessed the prospects of the Company over a period of five years. 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 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 which would prevent the Company from operating over a period of five years.

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 7 and 8 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. 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 Directors have also considered the Company's leverage and liquidity in the context of the unsecured fixed term ¥7.2bn loan facility expiring in 2020 and the unsecured revolving ¥4.5bn loan facilities expiring in 2017 and 2020. 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.

Based on the Company's processes for monitoring revenue projections, share price discount/premium, the Managers' compliance with the investment objective, asset allocation, the portfolio risk profile, leverage, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five years.

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.

Gender Representation

The Board comprises five Directors, all of whom are male. The Company has no employees. The Board's policy on diversity is set out on page 24.

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 26.

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 **www.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 11.

Managers' Report

Performance

Over the past year the NAV per share with borrowings deducted at fair value has increased by 27.6% to 682.4p which compares very favourably to a rise in the Company's benchmark of 18.8%. Baillie Gifford believes that performance should be measured over longer periods and over five years the NAV has outperformed the benchmark by 9.2% p.a. and over ten years by 5.1% p.a. demonstrating the benefit to shareholders of an active long-term growth orientated stock picking approach.

The Company's total assets increased to just over £650m, a rise of over £150m during the year, due to the combination of outperformance, a strong TOPIX and share issuance. A larger trust will be of benefit to shareholders as fixed costs are spread over a broader base and also helps to reduce transaction costs by helping the liquidity of the shares.

The main driver of the strong absolute return was the increase in the value of the TOPIX which rose 24.3% in Yen on a total return basis, slightly exceeding the high of 2015 on a total return basis. The Company also borrows in Yen to invest in stocks and this decision was helpful to performance given the strong absolute return in Yen. The Yen weakened 4.4% against Sterling to ¥141.8 per £1, slightly reducing the return in Sterling. Last year's concerns surrounding the potential for a significant Chinese slowdown failed to materialise, global stock markets generally progressed upwards and Japan is increasingly seen as a haven of relative stability.

As in last year's report the portfolio is grouped into four different styles of growth to reflect our decision-making process. Each of these styles offer different risks and opportunities. Secular growth, the largest part of the portfolio, includes companies that we feel have an opportunity to grow rapidly but where there are a number of potential outcomes. Growth stalwarts however are companies where growth is less rapid but more predictable, whilst those categorised as special situations are companies whose recent performance has not been good but we see a reason to believe that improvements are underway. The cyclical growth stocks are those whose earnings do not rise every year but where we expect the earnings to be higher from one cycle to the next. The mix of the four different styles of growth will change somewhat over the years but it seems inevitable that our positive approach to investing will result in a high weighting towards secular growth.

Performance is primarily driven by individual company share prices rather than positions taken on industrial sectors so we think it is most meaningful to list the top ten and bottom ten contributors to performance over one and five years rather than showing performance by sector. There are several general points worth noting. First, we pay no attention to the index when deciding which investments to hold, preferring to maximise returns by only investing in companies in which we have genuine conviction. These are often medium or smaller-sized companies where it is easier to see rapid growth. Second, due to the asymmetric nature of stock returns a good idea can do much more to help returns than a bad idea can hinder them. Over one year the best performing stock (Yaskawa Electric) delivered double the performance than the worst (M3) subtracted. Over five years the difference rises to over three times. It is important therefore for us to focus on the upside potential of individual stocks and to stay the course when we have found a good idea. Mistakes are inevitable but over the long-haul we believe that this approach of holding on to winning stocks is the one that will benefit shareholders the most. Finally, the returns have come from a diverse range of companies – including manufacturers, internet businesses, financials and service companies. This is natural because we are looking for individual growth businesses rather than investing on a sector basis and good companies can be found in many different industries.

In total we bought nine new holdings during the year and sold eight existing holdings. Turnover was 6% in the last year, low even by our standards. We are firm believers that if a growth business is performing well it is difficult to replace. Furthermore, the issuance of shares allowed an element of re-shaping the portfolio without needing to sell anything.

One emerging area of opportunity is healthcare, where we took three new holdings during the year. The first, Cyberdyne, has commercialised an exoskeleton designed to help patients rehabilitate following brain injury such as stroke. The second, Peptidream, has developed a library of synthetic peptides which can be used as direct therapies or to target drugs very specifically. The third, Healios, is using stem cells to treat age-related macular degeneration which is a serious eye condition that is very difficult to treat. In each case the company is harnessing new technologies to create innovative solutions that have very large addressable opportunities.

We continue to find opportunities in automation related businesses taking new holdings in Keyence, a factory automation consultancy, and Monotaro, which sells a wide variety of maintenance, repair and operation products to small businesses. These join the new purchases made last year in the same area of Nidec, the precision motor manufacturer, and Topcon, the global position system. Again the scale of the potential opportunity for such businesses remains very large and investing in Japan we are fortunate to have many good quality businesses to choose from.

Investment Environment

Japan has made major corporate governance improvements over the past several years, driven by the launch of the Stewardship Code in 2014 and the Corporate Governance code in 2015. In general companies have been paying more attention to shareholder returns with dividends continuing to grow and share buybacks remaining at similar levels. The Company has seen the benefits of this change, with investment income growing 19.6% from the previous year to reach £8.5m. We continue to believe that many of the companies that we invest in have the ability to grow dividends faster than earnings over the long-term.

Japan's domestic economy continues to perform well, enjoying six consecutive quarters of positive growth, the longest such streak in over a decade. Both domestic consumption and corporate spending on capex have been key contributors to domestic growth. The labour market remains very tight with the unemployment rate below 3% and the jobs-to-applicants ratio has now exceeded levels seen during Japan's economic bubble era. This is also beginning to put considerable upward pressure on wages which is likely to have positive implications for domestic consumption. Recently, Mr Abe has decided to call an early election with a view to extending his mandate. Meanwhile the strength of overseas demand has continued, being felt especially keenly in areas such as robotics which seem to be in a period of secular growth.

Where might the challenges come from? A global slowdown would reduce demand for Japanese exports, as would any trade dispute between the US and China that reduced total demand given that they are Japan's two most significant export markets. There continues to be the potential for geopolitical difficulties around Japan, with North Korea of particular concern. Moreover, it is a simple fact that the stock market has made considerable progress since the dark days around the global financial crisis.

Outlook

We believe that there are significant opportunities available to long-term stock pickers in Japan. In areas such as the internet, automation and healthcare, rapid development is taking place and this gives the opportunity for dynamic businesses to prosper. We will continue to strive to identify businesses with exciting growth opportunities and to purchase shares in them for your Company.

Baillie Gifford
23 October 2017

Review of Investments

Top Ten Holdings

Softbank

3.6% of total assets

Softbank is a diversified company run by a dynamic entrepreneur, Masayoshi Son. The group now encompasses mobile telecoms businesses in Japan and the US, a significant holding in Alibaba the fast growing Chinese e-commerce company, a stake in Yahoo Japan a diverse internet advertising company, Arm holdings the UK technology company acquired last year and the Vision fund, where Softbank holds 30% of a huge venture fund which it runs focused on worldwide technology investment. The underlying businesses continue to grow, some very rapidly, whilst the valuation the market affords the combination remains attractively low.

Yaskawa Electric

3.2% of total assets

Yaskawa Electric has three areas of global leadership; robots, AC servo motors and AC drives. This means that the company is seeing very strong growth in its business as demand for automation increases across Asia. As well as supplying traditional robots for areas like car manufacturing the company is developing new models for use in industries like food preparation, where labour shortages are acute in Japan. The company is seeing strong demand in components for robots from China, as well as for their finished products. Profit margins have been increasing recently and we anticipate that the less dynamic areas of the company will be de-emphasised as those products in which they lead the world continue to expand.

Yaskawa
Robots inside Yaskawa Electric Corps robot village.

Start Today
Yusaku Maezawa, chief executive of Start Today.

Start Today

3.0% of total assets

The Japanese e-commerce market continues to expand rapidly and Start Today has emerged as the leading online apparel retailer. The company's shopping mall style website is aimed at younger, more fashion conscious consumers and handles items from numerous brands. The huge variety of garments and accessories on offer has allowed Start Today to achieve a dominant position within its niche market. The large number of site members in turn is attracting more brands to the site, creating a virtuous circle. The expanding scale of operations has allowed the company to develop a strong distribution network which facilitates next day delivery. The company continues to innovate in order to enhance its appeal with customers. It recently introduced a deferred payment option which gives customers up to two months to pay for their purchases. This has been very well received, resulting in an acceleration in sales. Online penetration in fashion retail remains low in Japan compared to other developed markets, giving Start Today a very large growth opportunity.

Misumi Group

2.8% of total assets

Misumi has a unique business model which links a large number of small manufacturers with a customer base that is increasingly international. They can supply many millions of different machinery parts to fit individual company needs in a very short time and at a low cost. This network has been built up originally in Japan but has now grown in Asia, partly through the acquisition of factory capacity and the demand for automation products, which is a key part of the product range, is increasing. The company started a new business called VONA supplying third party products, and this is growing the customer base and accelerating the growth of the group as a whole.

IRISO Electronics

2.6% of total assets

IRISO makes specialist electrical connectors predominantly for the car industry and was the first connector company to focus specifically on automotive products. The products need to be robust, reliable, tailored to individual customers and they help support the gradual trend towards higher electronic content in all cars whatever the mode of propulsion. The company has recently designed special connectors for the actual drive motors in electric vehicles which expands its addressable market and adds significantly to the potential for what is still a small company. With its specialist focus and leading patented technology the company should continue to grow rapidly.

Outsourcing

2.6% of total assets

Outsourcing is run by a dynamic entrepreneur, Haruhiko Doi, who has built a diverse group which provides outsourcing services for manufacturing, IT and civil engineering companies. Regulatory change is providing new opportunities for staff placement and likely to lead to consolidation in the industry. At the same time, the labour market in Japan has become tighter, increasing demand for Outsourcing's services. The company is also expanding overseas and sales contribution from its overseas business continues to rise strongly. The founder-CEO of Outsourcing retains a sizeable stake in the company, aligning his interests with other investors.

Persol Holdings

2.6% of total assets

Persol (formerly named Temp Holdings) is one of Japan's leading staffing companies and was founded by the first woman entrepreneur in Asia to become a US$ billionaire. The company is involved in a broad range of staffing businesses and the rebranding of the company was intended to highlight to individual workers the changing services that are offered at differing career stages, particularly for women who may move between temporary and full time working. The company is expanding through acquisition both domestically and overseas and is a key beneficiary of the tightening labour shortage in Japan and upcoming tax changes to encourage further female participation in the labour market.

Rakuten

2.4% of total assets

Rakuten is Japan's leading e-commerce company, operating a successful online shopping mall called Ichiba. From this base it has developed an eco system involving the Rakuten brand, particularly in financial businesses and operates an online bank, a credit card business and an online brokerage. As technology allows quicker disruption of existing financial companies we believe that Rakuten's focus on e-commerce and finance will allow it to be a winner from these changes in Japan. The dynamic founder, Hiroshi Mikitani, continues to own well over a third of the shares outstanding closely aligning the interests of management and shareholders.

Pigeon

2.3% of total assets

Pigeon manufactures and sells baby-care products such as feeding bottles, pacifiers, and lotions. We believe that the baby care market is an attractive niche where consumers are loyal to brands and Pigeon has nurtured this by reinvesting in marketing and product development over the years. Pigeon makes over half of its profits from its Chinese business where it has developed a leading market share in the rapidly growing premium baby-care market. The domestic Japanese business continues to benefit from a combination of inbound tourism and price rises. In the longer term we expect growth to be driven by an expanding number of middle class consumers in India and the Middle East, markets where Pigeon is currently increasing its presence.

Itochu

2.2% of total assets

Itochu is a general trading company but is differentiated from the other traders by its significant holding in CITIC, a Chinese government company, and its many interests in the fashion supply chain. Whilst it has some exposure to resource areas, this makes up a much lower proportion of the assets and profits of the company than its peers. The company is profitable and has strengthened its balance sheet significantly over recent years and yet the shares trade on very attractive valuations.

New Holdings

Peptidream

0.7% of total assets

Peptidream is a producer of synthetic peptide therapeutics which has few significant competitors due to its large number of alliance with large pharmaceuticals and an almost incomparable library diversity. Its flexizyme mechanism, invented and patented by Peptidream's co-founder Professor Suga, allows the peptides to be more resilient, longer lasting and therefore makes it more probable that the drugs developed will reach their targets. We see this company as having a unique technology platform, which has the potential to fundamentally change the conventional drug discovery process.

Renesas Electronics

0.6% of total assets

Renesas makes semiconductor chips, and was formed from parts of three of Japan's historically world-beating electronics conglomerates, Hitachi, NEC and Mitsubishi Electric. As a result of that heritage the company still has good market positions in certain areas. For example, the company offers a very wide range of microcontrollers, which are the little computers that are embedded in all manner of electronic systems from cars to factory robots to washing machines. The company has struggled to make money in the past but the new CEO has impressed us with his varied experience and leadership. We are interested in the potential for him to change this troubled but promising business.

Colopl

0.4% of total assets

Colopl is a mobile and virtual reality gaming business founded and run by its inspirational and idiosyncratic CEO Naruatsu Baba. Baba beat the market in grasping the emergence of the smartphone business. Originally focused on gaming business for feature films, Colopl is an adaptable business, eyeing Virtual Reality as its next exciting opportunity. Colopl is ambitious: in early 2016, it launched the largest VR venture fund of $50 million and repeated this in 2017. The opportunity for growth is very large as the company looks to exploit opportunities in the non-gaming virtual reality sector.

Cyberdyne

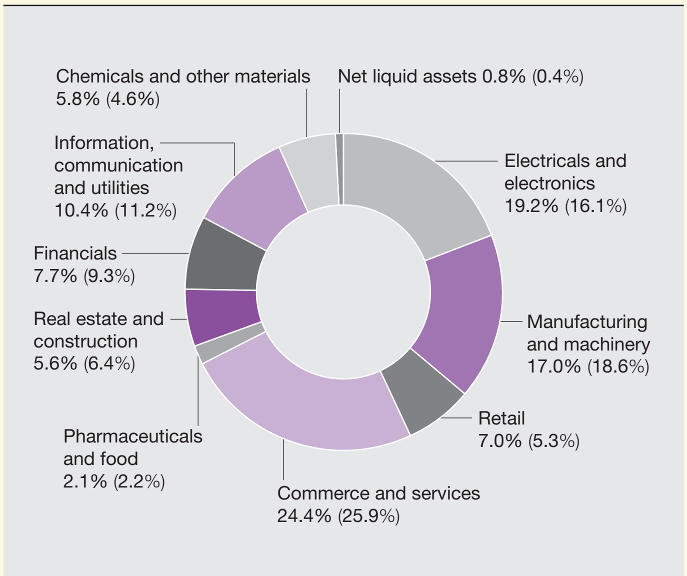
0.4% of total assets

Cyberdyne makes exoskeleton robots to support recovery from stroke or spinal injury or to support manual work, especially in occupations like nursing care. The company's products are differentiated by their control systems which uses the patient's own internal nerve signals to control movement, something that has taken the founder, Professor Yoshiyuki Sankai, decades to develop. The company has signed agreements in Germany and Saudi Arabia to supply their robots and is seeking approval for use in the US, which would significantly increase the growth prospects.

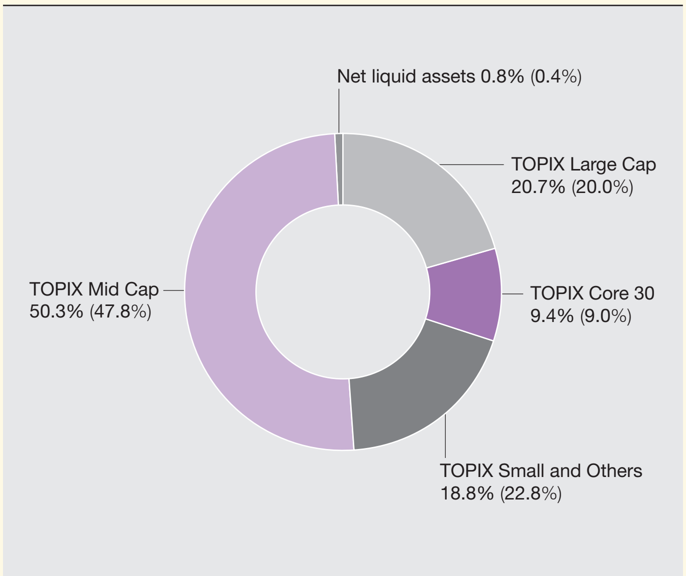
Cyberdyne Exoskeleton robot.

Distribution of Total Assets

Industry 2017 (2016)



Listings 2017 (2016)



Stock Level Attribution

Top Ten Relative Stock Contributors

Year to 31 August 2017

Name	Portfolio (average weight) %	Index (average weight) %	Contribution %
Yaskawa Electric	2.7	0.1	1.6
Start Today	2.8	0.1	1.6
Outsourcing	2.2	–	1.1
IRISO Electronics	2.3	–	0.9
Toyota Motor	–	3.5	0.7
Misumi Group	2.9	0.1	0.7
Pigeon	2.5	0.1	0.6
Nitori	2.1	0.3	0.5
Disco	1.4	0.1	0.4
Toyo Tire & Rubber	2.1	–	0.4

Bottom Ten Relative Stock Contributors

Year to 31 August 2017

Name	Portfolio (average weight) %	Index (average weight) %	Contribution %
M3	2.6	0.1	(0.7)
Takara Leben	1.6	–	(0.7)
GMO Internet	2.4	–	(0.7)
Rakuten	3.0	0.3	(0.7)
Sysmex	2.9	0.2	(0.5)
Asics	1.2	0.1	(0.5)
Park24	1.5	0.1	(0.5)
Subaru	2.4	0.6	(0.4)
Mazda Motor	1.5	0.2	(0.3)
Cookpad	0.7	–	(0.3)

Top Ten Relative Stock Contributors

5 Years to 31 August 2017

Name	Portfolio (average weight) %	Index (average weight) %	Contribution %
Subaru	3.2	0.6	3.8
Start Today	1.9	0.1	3.0
IRISO Electronics	2.2	–	2.7
Yaskawa Electric	2.4	0.1	2.7
Outsourcing	0.9	–	2.5
Japan Exchange Group	2.6	0.2	2.4
Persol Holdings	2.5	–	2.4
Pigeon	2.0	0.1	2.2
Toyo Tire & Rubber	2.5	–	2.1
Misumi Group	2.6	0.1	1.8

Bottom Ten Relative Stock Contributors

5 Years to 31 August 2017

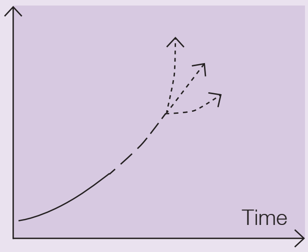
Name	Portfolio (average weight) %	Index (average weight) %	Contribution %
Endo Lighting	0.3	–	(1.2)
Sumitomo Mitsui Trust	1.7	0.5	(1.2)
Gree	0.4	–	(1.1)
Inpex	1.8	0.4	(1.1)
Aeon Mall	1.0	0.1	(0.8)
Lifenet Insurance	0.2	–	(0.8)
Hitachi High-Technologies	0.2	0.1	(0.7)
Rakuten	2.8	0.2	(0.6)
Yamada Denki	0.3	0.1	(0.6)
EPS	0.4	–	(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 57.

Equity Portfolio by Growth Category

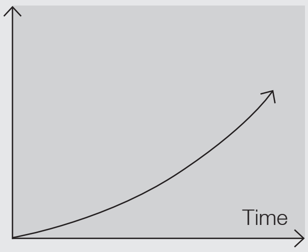
As at 31 August 2017

Secular Growth*



	% of total assets
SoftBank	3.6
Yaskawa Electric	3.2
Start Today	3.0
Misumi Group	2.8
IRISO Electronics	2.6
Outsourcing	2.6
Rakuten	2.4
Pigeon	2.3
Sysmex	2.2
CyberAgent	2.1
Kubota	2.0
Nidec	1.9
SMC	1.9
GMO Internet	1.9
H.I.S.	1.9
Inpex	1.9
Japan Exchange Group	1.8
Fanuc	1.8
Don Quijote	1.8
M3	1.8
SBI	1.6
Subaru	1.6
Shimadzu	1.6
Recruit Holdings	1.4
Toyota Tsusho	1.3
Lifull	1.2
Topcon	1.1
Digital Garage	0.8
Asics	0.8
Broadleaf	0.7
Keyence	0.7
Peptidream	0.7
iStyle	0.7
Infomart	0.6
Kakaku.com	0.5
Nippon Ceramic	0.4
Cyberdyne	0.4
Cookpad	0.4
SanBio	0.4
MonotaRO	0.3
Wirelessgate	0.3
Healios K.K.	0.3
Total	**63.3**

Growth Stalwarts*

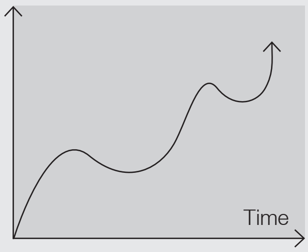


	% of total assets
Nitori	1.9
Mitsubishi UFJ Lease & Finance	1.2
Park24	1.0
Fukuoka Financial	0.8
Sawai Pharmaceutical	0.7
Secom	0.6
Total	**6.2**

Special Situations*

	% of total assets
Sony	2.1
Hikari Tsushin	2.0
Tokyo Tatemono	1.4
Renesas Electronics	0.6
Colopl	0.4
Total	**6.5**

Cyclical Growth*



	% of total assets
Persol Holdings	2.6
Itochu	2.2
Toyo Tire & Rubber	1.8
Nifco	1.6
Mitsubishi Electric	1.5
Sumitomo Mitsui Trust	1.3
Disco	1.3
Iida Group	1.3
Sumitomo Metal Mining	1.2
Murata Manufacturing	1.2
Nippon Electric Glass	1.1
Mazda Motor	1.1
Isuzu Motors	1.1
Suruga Bank	1.0
Takara Leben	1.0
Advantest	1.0
Invincible Investment	0.9
Total	**23.2**

* A definition of growth categories can be found in the Managers' Report on page 10.

Holding Period

As at 31 August 2017

>10 years	% of total assets
Misumi Group	2.8
IRISO Electronics	2.6
Persol Holdings	2.6
Rakuten	2.4
Itochu	2.2
Sysmex	2.2
SMC	1.9
H.I.S.	1.9
Inpex	1.9
Don Quijote	1.8
Shimadzu	1.6
Mitsubishi Electric	1.5
Tokyo Tatemono	1.4
Mitsubishi UFJ Lease & Finance	1.2
Total	**28.0**

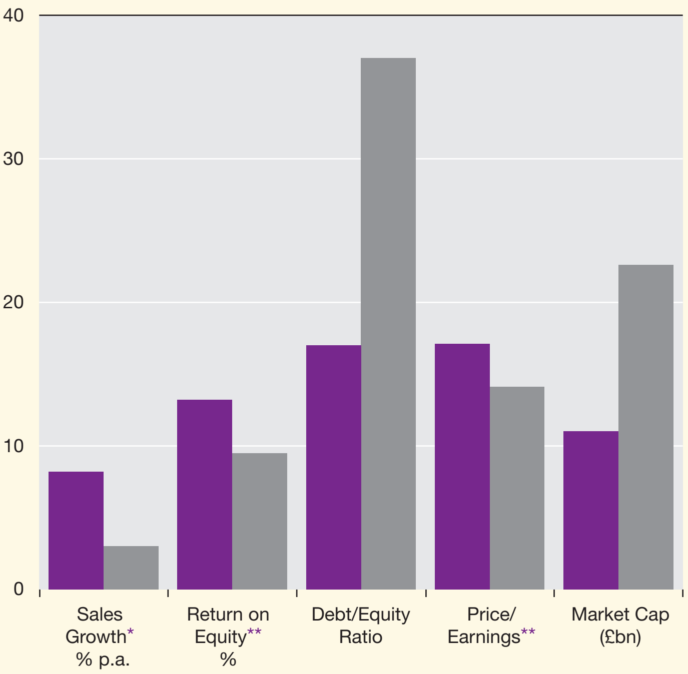
5–10 years	% of total assets
Yaskawa Electric	3.2
Start Today	3.0
Pigeon	2.3
Hikari Tsushin	2.0
Kubota	2.0
Nitori	1.9
GMO Internet	1.9
Japan Exchange Group	1.8
Toyo Tire & Rubber	1.8
M3	1.8
SBI	1.6
Nifco	1.6
Subaru	1.6
Disco	1.3
Lifull	1.2
Isuzu Motors	1.1
Suruga Bank	1.0
Fukuoka Financial	0.8
Digital Garage	0.8
Asics	0.8
Kakaku.com	0.5
Total	**34.0**

2–5 years	% of total assets
SoftBank	3.6
Outsourcing	2.6
CyberAgent	2.1
Sony	2.1
Fanuc	1.8
Recruit Holdings	1.4
Sumitomo Mitsui Trust	1.3
Toyota Tsusho	1.3
Iida Group	1.3
Sumitomo Metal Mining	1.2
Nippon Electric Glass	1.1
Mazda Motor	1.1
Advantest	1.0
Park24	1.0
Broadleaf	0.7
Sawai Pharmaceutical	0.7
Cookpad	0.4
SanBio	0.4
Total	**25.1**

<2 years	% of total assets
Nidec	1.9
Murata Manufacturing	1.2
Topcon	1.1
Takara Leben	1.0
Invincible Investment	0.9
Keyence	0.7
Peptidream	0.7
iStyle	0.7
Infomart	0.6
Renesas Electronics	0.6
Secom	0.6
Colopl	0.4
Nippon Ceramic	0.4
Cyberdyne	0.4
MonotaRO	0.3
Wirelessgate	0.3
Healios K.K.	0.3
Total	**12.1**

Stocks bought within the past year.

Portfolio Characteristics



Source: UBS, sterling, as at 31 August 2017.
*Historic: Trailing 3 years sales growth.
**12 month forward estimate.

Japan Trust

TOPIX

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

List of Investments at 31 August 2017

Name	Business	Value £'000	% of total assets	Absolute† performance %	Relative† performance %
SoftBank	Telecom operator and technology investor	23,586	3.6	26.8	6.8
Yaskawa Electric	Robots and factory automation	21,133	3.2	110.8	77.5
Start Today	Internet fashion retailer	20,033	3.0	105.8	73.3
Misumi Group	Precision machinery parts distributor	18,571	2.8	50.3	26.6
IRISO Electronics	Specialist auto connectors	17,334	2.6	70.9	43.9
Outsourcing	Employment placement services	17,191	2.6	80.5	52.0
Persol Holdings	Employment and outsourcing services	17,173	2.6	30.1	9.6
Rakuten	Internet retail and financial services	15,525	2.4	(4.0)	(19.2)
Pigeon	Baby care products	15,227	2.3	49.7	26.1
Itochu	Trading conglomerate	14,247	2.2	45.2	22.3
Sysmex	Medical equipment	14,194	2.2	(2.3)	(17.7)
CyberAgent	Internet advertising and content	14,084	2.1	23.3	3.8
Sony	Consumer electronics, films and finance	14,006	2.1	25.2	5.4
Hikari Tsushin	Entrepreneurial sales organisation	13,234	2.0	35.9	14.5
Kubota	Agricultural machinery	13,023	2.0	21.6	2.4
Nidec	Specialist motors	12,827	1.9	28.9	8.5
SMC	Pneumatic control equipment	12,790	1.9	24.6	5.0
Nitori	Furniture retail chain	12,775	1.9	55.5	31.0
GMO Internet	Internet conglomerate	12,468	1.9	(7.8)	(22.4)
H.I.S.	Travel agency and theme parks	12,311	1.9	42.9	20.4
Inpex	Oil and gas producer	12,269	1.9	13.3	(4.6)
Japan Exchange Group	Stock Exchange operator	12,150	1.8	13.5	(4.4)
Toyo Tire & Rubber	Tyre manufacturer	11,972	1.8	42.4	19.9
Fanuc	Robotics manufacturer	11,887	1.8	17.6	(1.0)
Don Quijote	Discount store operator	11,693	1.8	18.6	(0.1)
M3	Online medical database	11,604	1.8	(11.5)	(25.5)
SBI	Online broker and venture capital investor	10,882	1.6	22.4	3.1
Nifco	Value-added plastic car parts	10,656	1.6	18.1	(0.6)
Subaru	Car manufacturer	10,512	1.6	(7.3)	(22.0)
Shimadzu	Environmental testing equipment	10,403	1.6	20.5	1.4
Mitsubishi Electric	Industrial electronic conglomerate	9,947	1.5	17.1	(1.4)
Recruit Holdings	Property, lifestyle and jobs media	9,358	1.4	61.1	35.7
Tokyo Tatemono	Property leasing and development	9,312	1.4	8.2	(8.8)
Sumitomo Mitsui Trust	Trust bank and investment manager	8,754	1.3	1.2	(14.8)
Toyota Tsusho	Markets automobiles and other products, Africa focus	8,557	1.3	39.7	17.6
Disco	Specialist cutting for semiconductors	8,547	1.3	64.5	38.6
Iida Group	House builder	8,340	1.3	(5.4)	(20.4)
Lifull	Real estate website	7,983	1.2	22.6	3.2
Sumitomo Metal Mining	Smelting and copper, nickel and gold mining	7,670	1.2	38.8	16.9
Murata Manufacturing	Electrical components	7,611	1.2	18.5	(0.2)
Mitsubishi UFJ Lease & Finance	Leasing company	7,606	1.2	11.9	(5.8)
Topcon	GPS systems	7,246	1.1	38.6	16.7
Nippon Electric Glass	Flat panel display glass manufacturer	7,204	1.1	57.1	32.3
Mazda Motor	Car manufacturer	7,116	1.1	(7.5)	(22.1)
Isuzu Motors	Lorries and pick-up trucks	6,979	1.1	17.8	(0.8)
Suruga Bank	Specialist regional bank	6,730	1.0	(8.0)	(22.5)
Takara Leben	Condominium builder and solar power operator	6,577	1.0	(22.9)	(35.0)
Advantest	Semiconductor testing devices	6,462	1.0	14.5	(3.6)

Name	Business	Value £'000	% of total assets	Absolute † performance %	Relative † performance %
Park24	Parking, car hire and sharing	6,284	1.0	(15.2)	(28.6)
Invincible Investment	Real estate investment trust	5,664	0.9	1.2*	(1.6)*
Fukuoka Financial	Leading regional bank	5,259	0.8	7.9	(9.2)
Digital Garage	Internet business investor	5,028	0.8	21.2	2.1
Asics	Sports shoes and clothing	4,970	0.8	(23.9)	(35.9)
Broadleaf	Proprietary car repair database	4,787	0.7	51.0	27.2
Keyence	Manufacturer of sensors	4,764	0.7	69.2*	54.1*
Peptidream	Biotech company	4,730	0.7	38.0*	33.4*
Sawai Pharmaceutical	Generic pharmaceuticals	4,577	0.7	(14.2)	(27.8)
iStyle	Beauty product review website	4,337	0.7	(7.1)	(21.7)
Infomart	Internet platform for restaurant supplies	3,964	0.6	58.2	33.3
Renesas Electronics	Electronic components & semiconductors	3,787	0.6	33.8*	34.0*
Secom	Security services	3,718	0.6	(6.6)*	(7.0)*
Kakaku.com	Price comparison and restaurant review website	3,379	0.5	(23.2)	(35.3)
Colopl	Smartphone gaming and virtual reality (VR)	2,867	0.4	20.6*	16.6*
Nippon Ceramic	Semiconductor devices	2,777	0.4	46.6	23.5
Cyberdyne	Medical exoskeletons	2,759	0.4	(8.9)*	(15.8)*
Cookpad	Recipe website	2,753	0.4	(28.1)	(39.5)
SanBio	Stem cell based stroke treatment	2,337	0.4	7.6	(9.4)
MonotaRO	Online business supplies	2,325	0.3	(8.9)*	(9.8)*
Wirelessgate	Wireless communication services	2,026	0.3	(20.0)	(32.6)
Healios K.K.	Regenerative medicine	1,746	0.3	(23.4)*	(26.3)*
Total Investments		**652,597**	**99.2**		
Net Liquid Assets		**5,124**	**0.8**		
Total Assets		**657,721**	**100.0**		
Bank Loans		**(82,500)**	**(12.5)**		
Shareholders' Funds		**575,221**	**87.5**		

† Absolute and relative performance has been calculated on a total return basis over the period 1 September 2016 to 31 August 2017. For investments held for part of the year, the return is for the period they were held. Absolute performance is in sterling terms; relative performance is against TOPIX total return (in sterling terms).

* Figures relate to part period returns.

Source: Baillie Gifford/StatPro and relevant underlying index providers. See disclaimer on page 57.

Past performance is not a guide to future performance.

The Strategic Report which includes pages 2 to 19 was approved by the Board of Directors and signed on its behalf on 23 October 2017.

Nick AC Bannerman
Chairman

Directors and Management

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

Directors

Nick Bannerman

Nick Bannerman was appointed a Director in 2003 and became Chairman in 2014. He is Managing Director (Knitwear) of Johnstons of Elgin, Scotland's largest textile company. Established in 1797, Johnstons is a fully vertical operation specialising in cashmere, with sales offices worldwide, including Tokyo. He is a Chartered Accountant.

Paul Dimond CMG

Paul Dimond was appointed a Director in 2006 and is the Senior Independent Director. In HM Diplomatic Service until 2005, he served for 16 years in Japan, working in both Tokyo and Osaka, and was Commercial Counsellor from 1989 to 1993. He had a senior British public service role in three continents, his last appointment being HM Ambassador to the Philippines. He is deputy chairman of DAKS Simpson Group plc and DAKS Limited, director of the Anglo-Netherlands Society and the Torch Trophy Trust.

Keith Falconer

Keith Falconer was appointed a Director in July 2014 and became Chairman of the Audit Committee in November 2014. He was with Martin Currie Investment Management Ltd from 1979 until his retirement in 2003 and between 1982 and 1987, he headed up the Japanese Equity team. He is Chairman of Impax Asset Management Group plc, Adelphi Distillery Ltd and two funds managed by Rays Capital Partners in Hong Kong; Asian Equity Special Opportunities Fund and Asian Opportunities Absolute Return Fund. He qualified as a Chartered Accountant.

David Kidd

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

Martin Paling

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

All Directors are members of the Nomination Committee and with the exception of Mr NAC Bannerman, all are members of the Audit Committee.

Directors' Service Details

Name	Date of appointment	Due date for election/re-election
NAC Bannerman	2/10/03	AGM 2017
PS Dimond	31/7/06	AGM 2017
JKR Falconer	8/7/14	AGM 2017
DP Kidd	30/11/15	AGM 2019
MH Paling	1/11/08	AGM 2017

Managers and Secretaries

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager ('AIFM') and Company Secretary. Baillie Gifford & Co Limited has delegated investment management services to Baillie Gifford & Co. Baillie Gifford & Co is an investment management firm formed in 1927 out of the legal firm Baillie Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manage seven investment trusts. Baillie Gifford also manage unit trusts and 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 £179 billion at 20 October 2017. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 43 partners and a staff of around 1,000.

The manager of Baillie Gifford Japan is currently Sarah Whitley, a Partner of Baillie Gifford. She is the head of a team of 11 people covering the Japanese market from Edinburgh, with the additional support of a research consultant in Japan. She has been involved with Baillie Gifford Japan since 1982.

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 2017.

Corporate Governance

The Corporate Governance Report is set out on pages 24 to 26 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. The Investment Management Agreement between the AIFM and the Company sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Management Agreement is terminable on not less than 6 months' notice or on shorter notice in certain circumstances. Compensation would only be payable if termination occurred prior to the expiry of the notice period. Careful consideration has been given by the Board as to the basis on which the management fee is charged. The Board considers that maintaining a relatively low ongoing charges ratio is in the best interests of the shareholders. The Board is also of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence over the long term performance. The annual management fee is 0.95% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remaining net assets, calculated and payable quarterly.

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

Following the most recent review it is the opinion of the Directors that the continuing appointment of Baillie Gifford & Co Limited as AIFM and the delegation of investment management services to Baillie Gifford & Co, on the terms agreed, is in the best interests of the Company and shareholders as a whole. This is due to the strength and quality of the investment management team, the Managers' commitment to the investment trust sector and the comprehensive efficiency of the secretarial and administrative functions.

Depositary

In accordance with the Alternative Investment Fund Managers Directive, BNY Mellon Trust & Depositary (UK) Limited has been appointed as Depositary to the Company. 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 has delegated the custody function to The Bank of New York Mellon SA/NV ('the Custodian').

Directors

Information about the Directors, including their relevant experience, can be found on page 20 .

Mr NAC Bannerman, Mr PS Dimond and Mr MH Paling having served for more than nine years, are subject to annual re-election and will therefore be retiring at the Annual General Meeting and will offer themselves for re-election. Mr JKR Falconer, having served for three years since he was last elected, will be retiring and offering himself for re-election. Following formal performance evaluation, the performance of Mr NAC Bannerman, Mr PS Dimond, Mr MH Paling and Mr JKR Falconer continues to be effective and each remains committed to the Company. Their contribution to the Board is greatly valued and the Board recommends their re-election to shareholders.

Director Indemnification and Insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds which were in force during the year to 31 August 2017 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. 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 revenue reserve remains in deficit despite a net revenue return of £2,235,000. The Company will not pay a dividend.

Share Capital

Capital Structure

The Company's capital structure consists of 83,879,925 ordinary shares of 5p each at 31 August 2017 (2016 – 78,734,925). 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 51 and 52.

Major Interests in the Company's Shares

Name	No of ordinary 5p shares held at 31 August 2017	% of issue
Old Mutual plc (indirect)	4,719,268	5.6
Brewin Dolphin Limited (indirect)	4,043,892	4.8
Rathbone Brothers PLC (indirect)	3,412,614	4.1

There have been no changes to the major interests in the Company's shares intimated up to 20 October 2017.

Share Issuance Authority

At the last Annual General Meeting, the Directors were granted authority to issue shares up to an aggregate nominal amount of £1,312,248.75 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 £393,674.63. These authorities are due to expire at the Annual General Meeting on 30 November 2017.

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 £1,419,248.75. This amount represents 33.33% of the Company's total ordinary share capital in issue at 20 October 2017 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 £425,774.63 (representing 10% of the issued ordinary share capital of the Company as at 20 October 2017). The authorities sought in Resolutions 11 and 12 will continue until the conclusion of the Annual General Meeting to be held in 2018 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. During the year to 31 August 2017 the Company issued, in aggregate, 5,145,000 shares at a premium to net asset value on 30 separate occasions at an average price of 659.76 pence per share raising proceeds of £33,832,000. Between 1 September and 20 October 2017, the Company issued a further 1,275,000 shares at a premium to net asset value raising proceeds of £9,214,000. No shares were held in treasury as at 20 October 2017.

Market Purchases of Own Shares

At the last Annual General Meeting the Company was granted authority to purchase up to 11,802,365 ordinary shares (equivalent to 14.99% of its issued share capital), such authority to expire at the 2017 Annual General Meeting. The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases up to 12,764,723 ordinary shares representing approximately 14.99% of the Company's ordinary shares in issue at the date of passing of the resolution, such authority to expire at the Annual General Meeting of the Company to be held in 2018.

No shares were bought back during the year under review and no shares are held in treasury.

The principal reasons for share buy-backs are:

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

(ii) to address any imbalance between the supply of and the demand for the Company's shares that results in a discount of the quoted market price to the published net asset value per share.

The Company may hold bought-back shares 'in treasury' and then:

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

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

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

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

In accordance with the Listing Rules of the UK Listing Authority, the maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed the higher of:

(i) 5 percent 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.

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 be continued until the 2018 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 17 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

For the EU regulations explained in last year's Annual Report, the Company conducted a tender of its audit services during the year under review to coincide with the end of the five year rotation cycle of the current audit partner of PricewaterhouseCoopers LLP. Following the conclusion of the formal tender process led by the Company's Audit Committee, the Board approved the proposed appointment of KPMG LLP as Auditor for the financial year commencing 1 September 2017. KPMG 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 30 November 2017 and Resolutions concerning KMPG LLP's appointment and remuneration will be submitted to the Annual General Meeting.

The Board extends its appreciation to PricewaterhouseCoopers LLP for its services as Auditor and confirms that there are no matters in connection with PricewaterhouseCoopers LLP ceasing to hold office as Auditor following the 2017 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 20 October 2017.

Greenhouse Gas Emissions

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.

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 of shares which amount, in aggregate, to 52,110 shares, representing approximately 0.06% of the current issued share capital of the Company.

On behalf of the Board
Nick AC Bannerman
Chairman
23 October 2017

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2014 UK Corporate Governance Code (the 'Code') which can be found at **www.frc.org.uk** and the relevant principles of the Association of Investment Companies Code of Corporate Governance (the 'AIC Code') were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at **www.theaic.co.uk**.

Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code.

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.

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

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 only non-executive Directors, there is no chief executive officer. Mr PS Dimond is the Senior Independent Director.

The Directors believe that the Board has a balance of skills and experience that enables it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on page 20.

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. Directors are required to submit themselves for re-election at least once every three years and Directors who have served for more than nine years offer themselves for re-election annually.

Independence of Directors

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

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

Mr NAC Bannerman, Mr MH Paling and Mr PS Dimond have served on the Board for more than nine years. Following formal performance evaluation, the Board concluded that, notwithstanding their length of service, Mr NAC Bannerman, Mr MH Paling and Mr PS Dimond, continue to be independent in character and judgement. Mr Bannerman has a sound background in finance, Mr Paling has extensive investment experience and Mr Dimond has wide Japanese commercial experience covering all types of industry. Their independence has not been compromised by length of service.

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	**5**	**2**	**1**
NAC Bannerman	4	2	–
PS Dimond	5	2	1
JKR Falconer	5	2	1
DP Kidd	5	2	1
MH Paling	5	2	1

Mr Bannerman was unable to attend the Nomination Committee and Mr Dimond chaired the meeting in his absence.

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.

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

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

Performance Evaluation

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

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

Induction and Training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. Briefings were provided during the year on regulatory matters. Directors receive other relevant training as necessary.

Remuneration

As all the Directors are non-executive, there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 29 and 30.

Audit Committee

The report of the Audit Committee is set out on pages 27 and 28.

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 Alternative Investment Fund Managers Directive (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 and Technical Release AAF 01/06 – Assurance Reports on Internal Controls of Service Organisations made available to Third Parties. This report is independently reviewed by Baillie Gifford & Co's Auditor and a copy is submitted to the Audit Committee.

A report identifying the material risks faced by the Company and the key controls employed to manage these risks is reviewed by the Audit Committee.

These procedures ensure that consideration is given regularly to the nature and extent of risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage these risks.

The Directors confirm that they have reviewed the effectiveness of the Company's risk management and internal controls systems, which accord with the FRC 'Guidance in the Risk Management, Internal Control and Related Financial and Business Reporting' and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review and up to the date of this Report.

The Board confirms that these procedures have been in place throughout the Company's financial year and continue to be in place up to the date of approval of this Report.

To comply with the Alternative Investment Fund Managers Directive, BNY Mellon Trust & Depositary (UK) Ltd 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. The Depositary has delegated the custody function to The Bank of New York Mellon SA/NV London Branch. The Custodian prepares a report on its key controls and safeguards which is independently reviewed by KPMG LLP.

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

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 57), 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, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern.

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 17 to the Financial Statements. 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 Directors have no reason to believe that the continuation resolution will not be passed at the Annual General Meeting. Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal risks and other matters set out in the Viability Statement on pages 8 and 9, that the Company will continue in operational existence 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, Canaccord Genuity (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 **www.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 **www.japantrustplc.co.uk**.

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: **www.bailliegifford.com**. The Managers' policy has been reviewed and endorsed by the Board.

The Managers are signatories of the United Nations Principles for Responsible Investment and the Carbon Disclosure Project and are also members of the International Corporate Governance Network.

On behalf of the Board
Nick AC Bannerman
Chairman
23 October 2017

Audit Committee Report

The Audit Committee consists of all independent Directors for the year to 31 August 2017. The Chairman of the Board no longer sits on the Audit Committee. Mr JKR Falconer is Chairman 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: **www.japantrustplc.co.uk**. The terms of reference are reviewed annually.

The Committee's effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process.

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

Main Activities of the Committee

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

The matters considered, monitored and reviewed by the Committee during the course of the year included the following:

— the preliminary results announcement and the Annual and Interim reports;

— the Company's accounting policies and practices;

— the regulatory changes impacting the Company;

— the fairness, balance and understandability of the Annual Report and Financial Statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;

— the effectiveness of the Company's internal control environment;

— the appointment/reappointment, remuneration and terms of engagement of the external Auditor;

— whether the audit services contract should be put out to tender;

— the policy on the engagement of the external Auditor to supply non-audit services;

— the independence and objectivity of the external Auditor and the effectiveness of the audit process;

— the need for the Company to have its own internal audit function;

— internal controls reports received from the Managers and Custodian; and

— the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Internal Audit

The Committee continues to believe that the compliance and internal control systems and the internal audit function in place within the Investment Managers provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

Financial Reporting

The Committee considers that the most significant issues likely to affect the Financial Statements are the existence and valuation of investments, as they represent 99.2% of total assets and the accuracy and completeness of income from investments.

All of the investments are in 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 2017 were agreed to external price sources and the portfolio holdings agreed to confirmations from the Company's Custodian.

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.

Audit Tender

During the year the Company tendered its audit. Invitations to tender were issued to four audit firms with two firms being invited to present their approach in more detail to the Audit Committee. In evaluating the firms, the primary focus was on audit quality giving specific consideration to audit approach and delivery with attention on audit engagement team quality; insight into future developments likely to affect the Company; and independence. Following a robust and transparent review process where the firms were subjected to scrutiny and appropriate challenge, the Board proposes a resolution at the Annual General Meeting for shareholder approval to appoint KPMG LLP as its Auditor for the financial year commencing 1 September 2017, which coincides with the five year rotation cycle of the current Audit Partner of PricewaterhouseCoopers LLP, Ms Thomas and also the requirement of the new 'Mandatory audit firm rotation' rules under EU legislation. The Committee is satisfied that KPMG LLP is independent and that sufficient controls are in place to deal with any conflict of interest, should it arise.

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 25 and 26. No significant weaknesses were identified in the year under review.

External Auditor

To fulfil its responsibility regarding the independence and objectivity of the external Auditor, the Committee reviewed:

— the audit plan for the current year;

— a report from the Auditor describing their arrangements to manage auditor independence and received confirmation of its independence; and

— the extent of non-audit services provided by the external Auditor. There were no non-audit fees for the year to 31 August 2017.

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 Secretaries 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.

PricewaterhouseCoopers LLP, or its predecessor firms, have been engaged as the Company's Auditor for 35 years. The audit partners responsible for the audit are rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. The current lead audit partner, Ms Catrin Thomas, has been in place for five years and will continue as partner until the conclusion of the 2017 audit.

PricewaterhouseCoopers LLP have confirmed that they believe they are independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired.

Having carried out the review described above, the Committee is satisfied that the Auditor remains independent and effective for the purposes of this year's audit.

During its tenure as Auditor, PricewaterhouseCoopers LLP has provided a quality service and has demonstrated a high level of professionalism. The statement of reasons connected with PricewaterhouseCoopers LLP ceasing to hold office as Auditor is on page 59.

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

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 31 to 35.

On behalf of the Board
JKR Falconer
Audit Committee Chairman
23 October 2017

Directors' Remuneration Report

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

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy which is set out below was approved at the Annual General Meeting in November 2014. No changes to the Policy are proposed and an ordinary resolution for the approval of the Remuneration Policy will be put to the members at the forthcoming Annual General Meeting on 30 November 2017.

The Board reviewed the level of fees during the year and it was agreed that there would be no change to Directors' fees. The fees were last increased on 1 September 2016, when, the Chairman's fee was increased to £33,000, the Directors' fees to £24,000 with the Audit Committee Chairman's additional fee remaining at £2,500 per annum.

Directors' Remuneration Policy

The Board is composed wholly of non-executive Directors, none of whom has a service contract with the Company. There is no separate remuneration committee and the Board as a whole considers changes to Directors' fees from time to time. Baillie Gifford & Co Limited, the Company Secretaries, provide comparative information when the Board considers the level of Directors' fees.

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. The Board believes that the fees paid to the Directors should reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by comparable investment trusts. Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Board's policy on remuneration.

Non-executive Directors are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses. There are no performance conditions relating to Directors' fees and there are no long term incentive schemes or pension schemes. No compensation is payable on loss of office.

Limits on Directors' Remuneration

The fees for the non-executive Directors are payable six monthly in arrears and are determined within the limit set out in the Company's Articles of Association which is currently £150,000 per annum in aggregate. Any change to this limit requires shareholder approval.

The fees paid to Directors in respect of the year ended 31 August 2017 and the expected fees payable in respect of the year ending 31 August 2018 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 2018 £	Fees as at 31 Aug 2017 £
Chairman's fee	33,000	33,000
Non-executive Director fee	24,000	24,000
Additional fee for Chairman of the Audit Committee	2,500	2,500
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	150,000	150,000

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 32 to 35.

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	2017 Fees £	2017 Taxable benefits* £	2017 Total £	2016 Fees £	2016 Taxable benefits* £	2016 Total £
NAC Bannerman (Chairman)	33,000	593	**33,593**	30,000	1,095	**31,095**
PS Dimond	24,000	2,048	**26,048**	22,000	2,445	**24,445**
JKR Falconer (Audit Committee Chairman)	26,500	17	**26,517**	24,500	135	**24,635**
DP Kidd (appointed 30 November 2015)	24,000	2,240	**26,240**	16,585	2,098	**18,683**
MH Paling	24,000	2,330	**26,330**	22,000	3,047	**25,047**
M Barrow (retired 30 November 2015)	–	–	**–**	5,500	1,220	**6,720**
	131,500	**7,228**	**138,728**	**120,585**	**10,040**	**130,625**

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

Directors' Interests (audited)

The Directors at the end of the year under review, and their interests in the Company, are shown in the following table. There have been no changes intimated in the Directors' interests up to 20 October 2017.

Name	Nature of interest	Ordinary 5p shares held at 31 August 2017	Ordinary 5p shares held at 31 August 2016
NAC Bannerman	Beneficial	11,512	10,000
PS Dimond	Beneficial	5,098	4,627
JKR Falconer	Beneficial	8,000	8,000
DP Kidd	Beneficial	17,500	5,000
MH Paling	Beneficial	10,000	10,000

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, 99.7% were in favour, 0.2% were against and votes withheld were 0.1%. At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (November 2014), 99.5 % of the proxy votes received were in favour, 0.3% were against and 0.2% were withheld.

Relative Importance of Spend on Pay

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. The Directors' remuneration for the year is set out on the previous page. There were no distributions to shareholders by way of dividend or share repurchases during the year (2016 – none).

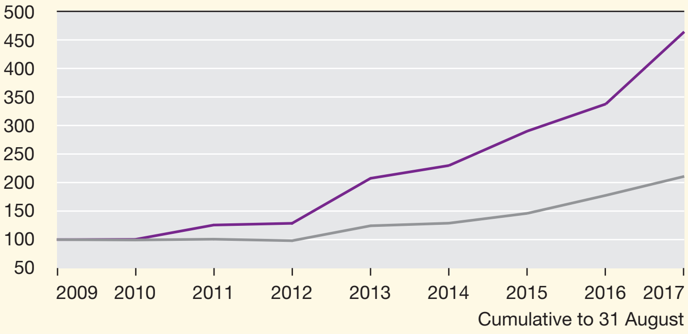
Company Performance

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 2009)

Past performance is not a guide to future performance.



Source: Thomson Reuters Datastream/Baillie Gifford. See disclaimer on page 57.

Baillie Gifford Japan's share price

TOPIX total return (in sterling terms)

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

Approval

The Directors' Remuneration Report on pages 29 and 30 was approved by the Board of Directors and signed on its behalf on 23 October 2017.

Nick AC Bannerman
Chairman

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

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102). 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;

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

— state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements;

— prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable laws and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page of the Managers' website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed within the Directors and Management section confirm that, to the best of their knowledge:

— the Financial Statements, which have been prepared 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', give a true and fair view of the assets, liabilities, financial position and net return of the Company;

— 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; and

— the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board
Nick AC Bannerman
23 October 2017

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

Report on the Financial Statements

Opinion

In our opinion, The Baillie Gifford Japan Trust PLC's Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements, included within the Annual Report and Financial Statements (the 'Annual Report'), which comprise:

- the Balance Sheet as at 31 August 2017;
- the Income Statement;
- the Cash Flow Statement;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the Financial Statements, which include a description of the significant accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the Financial Statements. These are cross-referenced from the Financial Statements and are identified as audited.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 September 2016 to 31 August 2017.

Our audit approach

Overview

- Overall materiality: £5.8m (2016 – £4.2m), based on 1% of net assets.
- The Company is a standalone Investment Trust Company and has engaged Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as the Company's Alternative Investment Fund Manager and Company Secretary. Baillie Gifford & Co Limited has delegated the investment management function to Baillie Gifford & Co (the 'Manager').
- We conducted our audit of the Financial Statements at Baillie Gifford & Co.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters include:

- Income from investments.
- Valuation and existence of investments.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Income from investments *Refer to page 27 (Audit Committee Report), page 40 (Accounting Policies) and page 41 (notes).* *ISAs (UK) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve capital growth in line with the objective of the Company.* *We considered this risk to specifically relate to the risk of overstating unrealised gains and the misclassification of dividend income as capital rather than revenue.* *We focused on the valuation of investments with respect to unrealised income and the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP').* *Unrealised gains in the year amounted to £99.5m. Dividend income totalled £8.5m.*	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. For unrealised gains and losses, we tested the valuation of the portfolio at the year-end together with testing the reconciliation of opening and closing investments. No misstatements were identified. We understood and assessed the design and implementation of key controls surrounding income recognition. This included considering the relevant controls described, tested and reported upon through the Baillie Gifford & Co AAF01/06 and ISAE3402 Type II Reporting Accountants' Assurance Report on Internal Controls for the year ended 30 April 2017. We gained comfort over the gap period from discussion with members of Baillie Gifford's internal controls team and by reviewing the most recent assessment of internal controls. In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared by a sample of investment holdings in the portfolio. Our testing did not identify any unrecorded dividends. We tested the allocation and presentation of dividend income between the income and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. We also tested a sample of manual journals to ascertain whether any inappropriate journals had been posted to income. No issues were identified through our testing in this area.
Valuation and existence of investments *Refer to page 27 (Audit Committee Report), page 40 (Accounting Policies) and page 43 (notes).* *The investment portfolio at the year-end 31 August 2017 comprised listed equity investments valued at £653m.* *We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the Financial Statements.*	We tested the valuation of the listed equity investments as at 31 August 2017 by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. We tested the existence of the investment portfolio at 31 August 2017 by agreeing the holdings for investments to an independent custodian confirmation from Bank of New York Mellon SA/NV. No differences were identified.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of our risk assessment, we assessed the control environment in place at the Manager to the extent relevant to our audit. This assessment involved obtaining and reading the relevant control reports, issued by the independent auditors of the Manager in accordance with generally accepted assurance standards for such work, to gain an understanding of the Manager's control environment and to consider the operating and accounting structure at the Manager. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the Financial Statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

Overall materiality	£5.8m (2016 – £4.2m).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £288,000 (2016 – £212,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the Financial Statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 August 2017 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 24 to 26) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ('DTR') is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 24 to 26) with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)

The Directors' Assessment of the Prospects of the Company and of the Principal Risks that would Threaten the Solvency or Liquidity of the Company

We have nothing material to add or draw attention to regarding:

— The Directors' confirmation on page 8 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

— The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

— The Directors' explanation on pages 8 and 9 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider 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 have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 31, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 27 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditor.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of the Directors' Responsibilities set out on page 31, the Directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also 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.

In preparing the Financial Statements, the Directors are responsible for 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the Financial Statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required Reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; 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.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members in FY 1982/83 to audit the Financial Statements for the year ended 31 August 1983 and subsequent financial periods. The period of total uninterrupted engagement is 35 years, covering the years ended 31 August 1983 to 31 August 2017.

Catrin Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
23 October 2017

Income Statement

For the year ended 31 August

	Notes	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Gains on investments	8	–	111,160	**111,160**	–	102,266	**102,266**
Currency gains/(losses)	13	–	2,997	**2,997**	–	(18,277)	**(18,277)**
Income	2	8,480	–	**8,480**	7,090	–	**7,090**
Investment management fee	3	(3,179)	–	**(3,179)**	(2,572)	–	**(2,572)**
Other administrative expenses	4	(592)	–	**(592)**	(523)	–	**(523)**
Net return before finance costs and taxation		4,709	114,157	**118,866**	3,995	83,989	**87,984**
Finance costs of borrowings	5	(1,626)	–	**(1,626)**	(1,463)	–	**(1,463)**
Net return on ordinary activities before taxation		3,083	114,157	**117,240**	2,532	83,989	**86,521**
Tax on ordinary activities	6	(848)	–	**(848)**	(709)	–	**(709)**
Net return on ordinary activities after taxation		2,235	114,157	**116,392**	**1,823**	**83,989**	**85,812**
Net return per ordinary share	7	**2.80p**	**142.75p**	**145.55p**	**2.35p**	**108.24p**	**110.59p**

The 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 all gains and losses of the Company have been reflected in the above statement.

The accompanying notes on pages 40 to 49 are an integral part of the Financial Statements.

Balance Sheet

As at 31 August

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Investments held at fair value through profit or loss	8		652,597		498,419
Current assets					
Debtors	9	788		1,930	
Cash and cash equivalents	17	10,585		2,473	
		11,373		4,403	
Creditors					
Amounts falling due within one year	10	(37,980)		(24,676)	
Net current liabilities			(26,607)		(20,273)
Total assets less current liabilities			625,990		478,146
Creditors					
Amounts falling due after more than one year	11		(50,769)		(53,149)
Net assets			**575,221**		**424,997**
Capital and reserves					
Share capital	12		4,194		3,937
Share premium account	13		122,698		89,123
Capital redemption reserve	13		203		203
Capital reserve	13		449,885		335,728
Revenue reserve	13		(1,759)		(3,994)
Shareholders' funds			**575,221**		**424,997**
Net asset value per ordinary share (after deducting borrowings at fair value)	14		**682.4p**		**534.6p**
Net asset value per ordinary share (after deducting borrowings at par value)	14		**685.8p**		**539.8p**

The Financial Statements of The Baillie Gifford Japan Trust PLC (Company registration number SC075954) on pages 36 to 49 were approved and authorised for issue by the Board and were signed on 23 October 2017.

Nick AC Bannerman
Chairman

The accompanying notes on pages 40 to 49 are an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 31 August 2017

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 September 2016		3,937	89,123	203	335,728	(3,994)	**424,997**
Shares issued	13	257	33,575	–	–	–	**33,832**
Net return on ordinary activities after taxation	13	–	–	–	114,157	2,235	**116,392**
Shareholders' funds at 31 August 2017		**4,194**	**122,698**	**203**	**449,885**	**(1,759)**	**575,221**

For the year ended 31 August 2016

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 September 2015	3,756	73,272	203	251,739	(5,817)	**323,153**
Shares issued	181	15,851	–	–	–	**16,032**
Net return on ordinary activities after taxation	–	–	–	83,989	1,823	**85,812**
Shareholders' funds at 31 August 2016	**3,937**	**89,123**	**203**	**335,728**	**(3,994)**	**424,997**

The accompanying notes on pages 40 to 49 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 August

	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Cash flows from operating activities				
Net return on ordinary activities before taxation	117,240		86,521	
Net gains on investments	(111,160)		(102,266)	
Currency (gains)/losses	(2,997)		18,277	
Finance costs of borrowings	1,626		1,463	
Overseas withholding tax	(834)		(675)	
Changes in debtors and creditors	(3)		(153)	
Cash from operations		3,872		3,167
Interest paid		(1,611)		(1,407)
Net cash inflow from operating activities		2,261		1,760
Cash flows from investing activities				
Acquisitions of investments	(73,979)		(51,366)	
Disposals of investments	35,795		25,014	
Exchange differences on settlement of investment transactions	(46)		615	
Net cash outflow from investing activities		(38,230)		(25,737)
Cash flows from financing activities				
Shares issued	33,832		16,032	
Bank loans drawn down	10,360		–	
Net cash inflow from financing activities		44,192		16,032
Increase/(decrease) in cash and cash equivalents		8,223		(7,945)
Exchange movements		(111)		1,676
Cash and cash equivalents at start of period		2,473		8,742
Cash and cash equivalents at end of period*		**10,585**		**2,473**

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

The accompanying notes on pages 40 to 49 are an integral part of the Financial Statements.

Notes to the Financial Statements

1 Principal Accounting Policies

The Financial Statements for the year to 31 August 2017 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. The Company has already adopted the amendments to Section 34 of FRS 102 regarding fair value hierarchy disclosures (see note 17 on page 49).

(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 derivatives, 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 will be retained.

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 November 2014. In order to better reflect the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented.

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when it becomes a party to the contractual provisions of the instrument.

The Directors consider the Company's functional currency to be sterling as the Company's shareholders are predominantly based in the UK and the Company and its investment manager, who are subject to the UK's regulatory environment.

(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 are provided to the Board on that basis.

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

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

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and deposits repayable on demand. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if they have a maturity or period of notice of not more than one working day.

(d) Income

(i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.

(ii) Interest from fixed interest securities is recognised on an effective yield basis.

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

(iv) Interest receivable/payable on bank deposits is recognised on an accruals basis.

(v) If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital.

(e) Expenses

All expenses are accounted for on an accruals basis and are charged to the revenue account except where they relate directly to the acquisition or disposal of an investment, in which case they are added to the cost of the investment or deducted from the sale proceeds. Expenses directly relating to the issuance of shares are deducted from the proceeds of such issuance.

(f) Finance Costs

Long term borrowings are carried in the Balance Sheet at amortised cost, representing the cumulative amount of net proceeds after issue, plus accrued finance costs. The finance costs of such borrowings are allocated to the revenue account at a constant rate on the carrying amount.

Gains and losses on the repurchase or early settlement of debt are wholly charged to capital.

(g) Deferred Taxation

Deferred taxation is provided on all timing differences which have originated but not reversed by the Balance Sheet date, calculated on a non-discounted basis at the tax rates expected to apply when the timing differences reverse, based on what has been enacted or substantially enacted, relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

(h) Foreign Currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Monetary assets, liabilities and equity investments held at fair value in foreign currencies are translated at the closing rates of exchange at the Balance Sheet date, with the exception of forward foreign exchange contracts which are valued at the forward rate ruling at the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement and classified as a revenue or capital item as appropriate.

(i) Capital Reserve

Gains and losses on disposal of investments, changes in the fair value of investments held, exchange differences of a capital nature and the amount by which other assets and liabilities valued at fair value differ from their book cost are dealt with in this reserve. Purchases of the Company's own shares for cancellation are also funded from this reserve.

(j) Significant Estimates and Judgements

The Directors do not believe that any accounting judgements or estimates have been applied to these accounting statements that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year.

2 Income

	2017 £'000	2016 £'000
Income from investments		
Overseas dividends	8,480	7,090
Total income	**8,480**	**7,090**
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	8,480	7,090
Total income	**8,480**	**7,090**

3 Investment Management Fee – all charged to revenue

	2017 £'000	2016 £'000
Investment management fee	**3,179**	**2,572**

Details of the Investment Management Agreement are disclosed on page 21. With effect from 1 September 2016 Baillie Gifford & Co Limited's annual management fee is 0.95% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remaining net assets, calculated and payable quarterly. Prior to 1 September 2016, the fee was 0.95% on the first £50m of net assets and 0.65% on the remaining net assets.

4 Other Administrative Expenses – all charged to revenue

	2017 £'000	2016 £'000
General administrative expenses	440	380
Directors' fees (see Directors' Remuneration Report on page 29)	132	121
Auditor's remuneration – statutory audit of Company's annual Financial Statements	20	22
	592	**523**

There were no fees paid to the Auditor during the year in respect of non-audit services (2016 – nil).

5 Finance Costs of Borrowings

	2017 £'000	2016 £'000
Interest on bank loans	**1,626**	**1,463**

The bank loan interest disclosed includes £16,000 paid (2016 – £5,000) in respect of yen deposits held at the custodian bank.

6 Tax on Ordinary Activities

	2017 £'000	2016 £'000
Analysis of charge in year		
Overseas taxation	**848**	**709**
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 19.581% (2016 – 20.0%)		
The differences are explained below:		
Net return on ordinary activities before taxation	117,240	86,521
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.581% (2016 – 20.0%)	22,957	17,304
Effects of:		
Capital returns not taxable	(22,353)	(16,798)
Income not taxable	(1,661)	(1,418)
Overseas withholding tax	848	709
Taxable losses in year not utilised	1,057	912
Tax charge for the year	**848**	**709**

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

Factors that may affect future tax charges

At 31 August 2017 the Company had a potential deferred tax asset of £5,714,000 (2016 – £5,078,000) on taxable losses which is available to be carried forward and offset against future taxable profits. A deferred tax asset has not been recognised on these losses as it is considered unlikely that the Company will make taxable revenue profits in the future and it is not liable to tax on its capital gains. The potential deferred tax asset has been calculated using a corporation tax rate of 17% (2016 – 18%).

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval 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

	2017 Revenue	2017 Capital	2017 Total	2016 Revenue	2016 Capital	2016 Total
Net return on ordinary activities after taxation	**2.80p**	**142.75p**	**145.55p**	**2.35p**	**108.24p**	**110.59p**

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £2,235,000 (2016 – £1,823,000), and on 79,968,404 (2016 – 77,592,006) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

Capital return per ordinary share is based on the net capital return for the financial year of £114,157,000 (2016 – £83,989,000), and on 79,968,404 (2016 – 77,592,006) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

There are no dilutive or potentially dilutive shares in issue.

8 Fixed Assets – Investments

	2017 £'000	2016 £'000
Financial assets at fair value through profit or loss		
Listed overseas – equity investments	652,597	498,419
Total investments in financial assets at fair value through profit or loss	**652,597**	**498,419**

	Listed equities £'000
Cost of investments held at 1 September 2016	263,100
Investment holding gains at 1 September 2016	235,319
Fair value of investments held at 1 September 2016	**498,419**
Movements in year:	
Purchases at cost	77,518
Sales – proceeds	(34,500)
– gains on sales	11,637
Changes in investment holding gains	99,523
Fair value of investments held at 31 August 2017	**652,597**
Cost of investments held at 31 August 2017	317,755
Investment holding gains at 31 August 2017	334,842
Fair value of investments held at 31 August 2017	**652,597**

The purchases and sales proceeds figures above include transaction costs of £34,000 (2016 – £25,000) and £21,000 (2016 – £15,000) respectively.

	2017 £'000	2016 £'000
Net gains on investments designated at fair value through profit or loss on initial recognition		
Gains on sales	11,637	7,163
Changes in investment holding gains	99,523	95,103
	111,160	**102,266**

Of the gains on sales during the year of £11,637,000 (2016 – £7,163,000), a net gain of £7,294,000 (2016 – net gain of £4,555,000) was included in the investment holding gains at the previous year end.

9 Debtors

	2017 £'000	2016 £'000
Income accrued and prepaid expenses	763	625
Sales for subsequent settlement	–	1,295
Other debtors	25	10
	788	**1,930**

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.

10 Creditors – amounts falling due within one year

	2017 £'000	2016 £'000
Purchases for subsequent settlement	5,067	1,528
Bank loans (see note 11)	31,731	22,145
Other creditors and accruals	1,182	1,003
	37,980	**24,676**

None of the above creditors are financial liabilities designated at fair value through profit or loss. Included in other creditors is £891,000 (2016 – £728,000) in respect of the investment management fee.

11 Creditors – amounts falling due after more than one year

	2017 £'000	2016 £'000
Bank loans	**50,769**	**53,149**

Borrowing facilities

At 31 August 2017:

— A 7 year fixed rate loan facility with ING Bank N.V. for ¥7,200 million, expiring August 2020
— A 3 year revolving loan facility with Scotiabank Europe plc for ¥1,500 million, expiring November 2017
— A 5 year revolving loan facility with Scotiabank Europe plc for ¥3,000 million, expiring August 2020

At 31 August 2017 and 31 August 2016 the ING Bank N.V. drawings were as follows:

— ¥2,600 million at 2.43%
— ¥900 million at 2.45%
— ¥900 million at 2.46%
— ¥1,800 million at 2.48%
— ¥1,000 million at 2.50%

At 31 August 2017 the Scotiabank Europe plc drawings were as follows:

— ¥1,500 million at 1.02303% for the period 1 December 2016 to 24 November 2017, under the three year ¥1,500 million revolving facility.
— ¥1,500 million at 1.16380% for the period 31 August 2017 to 31 August 2018, under the five year ¥3,000 million revolving facility.
— ¥1,500 million at 1.15980% for the period 12 December 2016 to 12 December 2017, under the five year ¥3,000 million revolving facility.

At 31 August 2016 the Scotiabank Europe plc drawings were as follows:

— ¥1,500 million at 0.9268% for the period 1 June 2016 to 1 December 2016, under the three year ¥1,500 million revolving facility.
— ¥1,500 million at 1.14994% for the period 31 August 2016 to 31 August 2017, under the five year ¥3,000 million revolving facility.

During the year, the Company rolled the Scotiabank Europe plc ¥1,500 million loan facility expiring in November 2017 on 1 December 2016 until 24 November 2017. Under the ¥3,000 million facility expiring in August 2020, a ¥1,500 million tranche was drawn down for a period of one year on 12 December 2016 until 12 December 2017 and on 31 August 2017, the other tranche of ¥1,500 million was rolled for a period of one year until 31 August 2018.

The main covenants relating to the above loans are:

(i) Total borrowings shall not exceed 40% of the Company's net asset value; and
(ii) The Company's minimum net asset value shall be £115 million.

There were no breaches of loan covenants during the year.

12 Share Capital

	2017 Number	2017 £'000	2016 Number	2016 £'000
Allotted, called up and fully paid ordinary shares of 5p each	**83,879,925**	**4,194**	**78,734,925**	**3,937**

At 31 August 2017 the Company had authority to buy back 11,802,365 shares. No shares were bought back during the year. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve. During the year, 5,145,000 (2016 – 3,613,175) shares were issued at a premium to net asset value raising proceeds of £33,832,000 (2016 – £16,032,000).

13 Capital and Reserves

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 September 2016	3,937	89,123	203	335,728	(3,994)	**424,997**
Shares issued	257	33,575	–	–	–	**33,832**
Gains on investments	–	–	–	11,637	–	**11,637**
Changes in investment holding gains	–	–	–	99,523	–	**99,523**
Exchange differences on bank loans	–	–	–	3,154	–	**3,154**
Exchange differences on settlement of investment transactions	–	–	–	(46)	–	**(46)**
Other exchange differences	–	–	–	(111)	–	**(111)**
Revenue return on ordinary activities after taxation	–	–	–	–	2,235	**2,235**
At 31 August 2017	**4,194**	**122,698**	**203**	**449,885**	**(1,759)**	**575,221**

The capital reserve includes investment holding gains of £334,842,000 (2016 – £235,319,000) as disclosed in note 8. The revenue reserve and the capital reserve (to the extent it constitutes realised profits) are distributable.

14 Net Asset Value 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:

	2017	2016	2017 £'000	2016 £'000
Ordinary shares of 5p	**685.8p**	**539.8p**	**575,221**	**424,997**

Net asset value per ordinary share is based on the net assets as shown above and 83,879,925 (2016 – 78,734,925) ordinary shares, being the number of ordinary shares in issue at the year end.

Deducting borrowings at fair value would have the effect of reducing net asset value per ordinary share from 685.8p to 682.4p. Taking the market price of the ordinary shares at 31 August 2017 of 711.5p, this would have given a premium to net asset value of 4.3% as against 3.7% on the basis of deducting borrowings at par. At 31 August 2016 the net asset value per share after deducting borrowings at fair value was 534.6p. Taking the market price of the ordinary shares at 31 August 2016 of 517.5p, this would have given a discount to net asset value of 3.2% as against 4.1% on the basis of deducting borrowings at par.

15 Contingent Liabilities, Guarantees and Financial Commitments

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

16 Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 29. No Director has a contract of service with the Company.

17 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 18 and 19.

(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.

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 2017	Investments £'000	Cash and cash equivalents £'000	Bank loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Yen	652,597	9,789	(82,500)	(4,556)	**575,330**
Total exposure to currency risk	652,597	9,789	(82,500)	(4,556)	**575,330**
Sterling	–	796	–	(905)	**(109)**
	652,597	**10,585**	**(82,500)**	**(5,461)**	**575,221**

* Includes net non-monetary assets of £29,000.

At 31 August 2016	Investments £'000	Cash and cash equivalents £'000	Bank loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Yen	498,419	2,414	(75,294)	163	**425,702**
Total exposure to currency risk	498,419	2,414	(75,294)	163	**425,702**
Sterling	–	59	–	(764)	**(705)**
	498,419	**2,473**	**(75,294)**	**(601)**	**424,997**

* Includes net non-monetary assets of £21,000.

Currency Risk Sensitivity

At 31 August 2017, 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 £63,926,000 (2016 – £47,222,000). If there had been 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 increased by £52,303,000 (2016 – £38,636,000).

17 Financial Instruments (continued)

(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 2017 is shown below.

Financial Assets

Cash deposits generally comprise overnight call or short term money market deposits and earn interest at floating rates based on prevailing bank base rates.

Financial Liabilities

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

	2017 Book value £'000	2017 Weighted average interest rate	2017 Weighted average period until maturity	2016 Book value £'000	2016 Weighted average interest rate	2016 Weighted average period until maturity
Bank loans:						
Yen denominated	**82,500**	**1.9%**	**24 months**	**75,294**	**2.0%**	**36 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 2017 by £293,000 (2016 – £246,000). This is mainly due to the Company's exposure to interest rates on its revolving 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 8.

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 18 and 19. In addition, various analyses of the portfolio by growth category, length of time held, industrial sector and exchange listing are shown on pages 15 to 17.

113.5% (2016 – 117.3%) of the Company's net assets are invested in Japanese quoted equities. A 10% increase in quoted equity valuations at 31 August 2017 would have increased total net assets and net return on ordinary activities after taxation by £65,260,000 (2016 – £49,842,000). A decrease of 10% would have had an equal but opposite effect.

17 Financial Instruments (continued)

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 Managers 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 11.

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

	2017 £'000	2016 £'000
In less than one year	31,731	22,145
In more than two years, but not more than five years	50,769	53,149
	82,500	**75,294**

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 SA/NV London Branch. 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;

— 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:

	2017 £'000	2016 £'000
Cash and cash equivalents	10,585	2,473
Debtors	759	1,909
	11,344	**4,382**

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.

	2017 Book value £'000	2017 Fair* value £'000	2016 Book value £'000	2016 Fair* value £'000
Yen bank loans	**76,051**	**82,500**	**75,294**	**79,338**

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

17 Financial Instruments (continued)

Capital Management

The Company does not have any externally imposed capital requirements other than the loan covenants detailed in note 11 on page 44. The capital of the Company is the ordinary share capital as detailed in note 12. 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 page 22.

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;

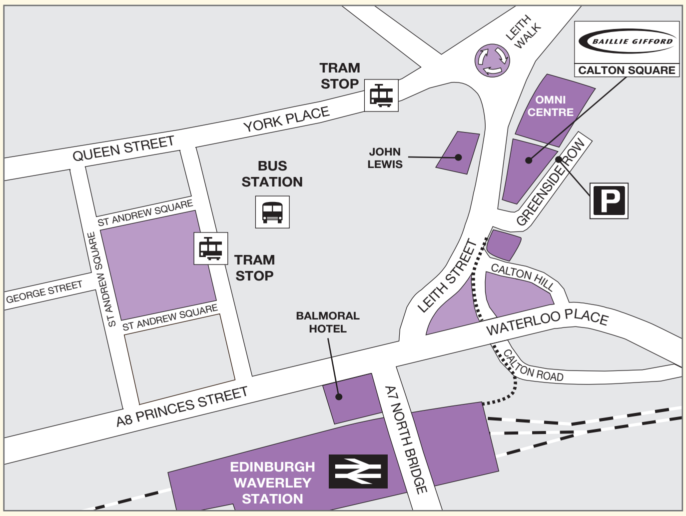
Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

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 40.

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.

Notice of Annual General Meeting



The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 30 November 2017 at 12.30pm.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 917 2112.

Baillie Gifford may record your call.

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

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

By Tram:
Stops at St Andrew Square and York Place

Access to Waverley Train Station on foot

Notice is hereby given that the thirty sixth 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, 30 November 2017 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 2017 with the Reports of the Directors and of the Independent Auditor thereon.
2. To approve the Directors' Remuneration Policy
3. To approve the Directors' Annual Report on Remuneration for the year to 31 August 2017.
4. To re-elect Mr NAC Bannerman as a Director.
5. To re-elect Mr PS Dimond as a Director.
6. To re-elect Mr MH Paling as a Director.
7. To re-elect Mr JKR Falconer as a Director.
8. To appoint KPMG LLP as Independent Auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
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 2018.
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 £1,419,248.75, 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 £425,774.63, being approximately 10% of the nominal value of the issued share capital of the Company, as at 20 October 2017.

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 12,764,723, 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 2018, 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
31 October 2017

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 circular 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 **www.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 **www.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 system 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. Shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan or the Baillie Gifford Investment Trust ISA who wish to vote and/or attend the meeting must complete and return the enclosed reply-paid Form of Direction.
9. 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.
10. 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.
11. 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.
12. 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.
13. 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 **www.japantrustplc.co.uk**.
14. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
15. As at 20 October 2017 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 85,154,925 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 20 October 2017 were 85,154,925 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, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles (see page 54 for details). 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.

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

Baillie Gifford Japan Identifiers

ISIN	GB0000485838
Sedol	0048583
Ticker	BGFD
Legal Entity Identifier	54930037AGTKN765Y741

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

Key Dates

The Annual Report and Financial Statements are normally issued in October and the AGM is normally held in November or December.

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 **www.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 **www.investorcentre.co.uk** and enter your Shareholder Reference Number and Company Code (this information can be found on your share certificate).

Electronic Proxy Voting

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

	2017 Number of shares held	2017 %	2016 Number of shares held	2016 %
Institutions	15,722,667	18.7	20,055,402	25.5
Intermediaries/ Retail Savings Platforms	60,961,698	72.7	51,966,800	66.0
Individuals	3,573,654	4.3	3,333,254	4.2
Baillie Gifford Share Plans/ISA	3,297,020	3.9	2,842,064	3.6
Marketmakers	324,886	0.4	537,405	0.7
	83,879,925	**100.0**	**78,734,925**	**100.0**

These Financial Statements have been approved by the Directors of The Baillie Gifford Japan Trust PLC. Baillie Gifford Savings Management Limited ('BGSM') is the ISA Manager and the Manager of the Share Plan and Children's Savings Plan. BGSM is wholly owned by Baillie Gifford & Co. Both are authorised and regulated by the Financial Conduct Authority. Baillie Gifford only provides information about its products and does not provide investment advice. The staff of Baillie Gifford and Baillie Gifford Japan's Directors may hold shares in Baillie Gifford Japan and may buy or sell such shares from time to time.

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

Baillie Gifford Savings Management Limited offers a number of plans that enable you to buy and hold shares in Baillie Gifford Japan cost-efficiently. Purchases and sales are normally subject to a dealing price spread and Government stamp duty of 0.5% is payable on purchases.

The Baillie Gifford Investment Trust Share Plan

— No initial charge

— No annual wrapper charge

— Normally cheaper than dealing through a stockbroker

— Invest a lump sum from £250 or monthly from just £30

— No maximum investment limits

— Stop and start saving at any time with no charge

— Twice weekly dealing (usually Tuesday and Friday)

— A withdrawal charge of just £22

The Baillie Gifford Investment Trust ISA

— Tax-efficient investment

— No set-up charge

— Flat rate annual management charge currently of £32.50 + VAT

— Lump sum investment from £2,000 currently up to a maximum of £20,000 each tax year

— Invest monthly from £100

— A withdrawal charge of just £22

ISA Transfers

— Transfer existing ISAs from other plan managers into the Baillie Gifford ISA

— Consolidate your plans into a managed global investment

— Minimum transfer value £2,000

The Baillie Gifford Children's Savings Plan

— An excellent way for parents, grandparents or other adults to invest for a child

— No initial charge

— No annual wrapper charge

— The option of a designated account or a bare trust in favour of the child

— Flexible investment options: lump sum from £100 or monthly saving from just £25

— A withdrawal charge of just £22

Online Management Service

You can also open and manage your Share Plan/Children's Savings Plan* and/or ISA online, through our secure Online Management Service (OMS) which can be accessed through the Baillie Gifford website **www.bailliegifford.com/oms**. As well as being able to view the details of your plan online, the service also allows you to:

— obtain current valuations;

— make lump sum investments, except where there is more than one holder;

— switch between investment trusts, except where there is more than one holder;

— sell part or all of your holdings, except where there is more than one holder; and

— update certain personal details e.g. address and telephone number.

*Please note that a bare trust cannot be opened via OMS. A bare trust application form must be completed.

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 56).

Risks

— Past performance is not a guide to future performance.

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

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

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

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

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

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

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

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

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

— The aim of this Trust is to achieve capital growth and it is unlikely that the Company will provide a steady, or indeed any, income.

— 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.

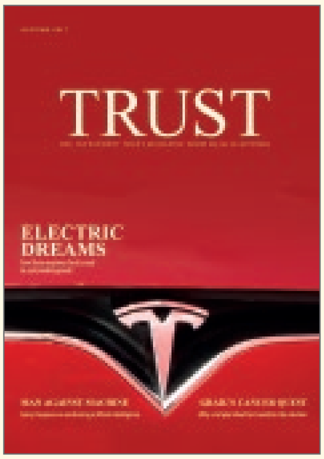
Investment Trusts are UK public listed companies and as such comply with the requirements of the UK Listing Authority. They are not authorised or regulated by the Financial Conduct Authority.

Details of other risks that apply to investment in the savings vehicles are contained in the product brochures.

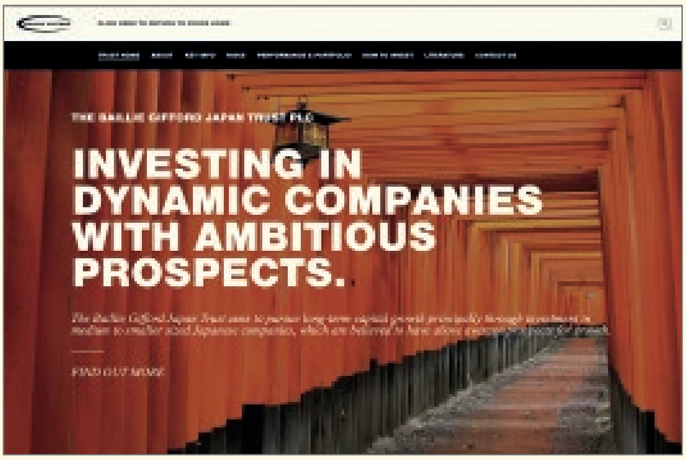
Further details of the risks associated with investing in the Company can be found at **www.japantrustplc.co.uk** or by calling Baillie Gifford on 0800 917 2112.

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

Communicating with Shareholders



Trust Magazine



A Baillie Gifford Japan Trust web page at **www.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).

An online version of *Trust* can be found at **www.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 **www.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, either about Baillie Gifford Japan or the plans described on page 54.

Literature in Alternative Formats

It is possible to provide copies of the literature in alternative formats, such as large print or on audio tape. Please contact the Baillie Gifford Client Relations Team for more information.

Client Relations Team Contact Details

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

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

E-mail: trustenquiries@bailliegifford.com
Website: www.bailliegifford.com
Fax: 0131 275 3955

Client Relations Team
Baillie Gifford Savings Management Limited
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

Please note that Baillie Gifford is not permitted to give financial advice. If you would like advice or if you have any questions about the suitability of any of these plans for you, please ask an authorised intermediary.

Alternative Investment Fund Managers (AIFM) Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors. In accordance with the Directive, the AIFM remuneration policy is available at **www.bailliegifford.com** or on request (see contact details on the back cover). The numerical remuneration disclosures in respect of the AIFM's first relevant reporting period (year ended 31 March 2017) are available at **www.bailliegifford.com**.

The Company's maximum and actual leverage (see Glossary of Terms on page 58) levels at 31 August 2017 are shown below:

Leverage

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

Automatic Exchange of Information

In order to fulfil its obligations under UK Tax Legislation relating to the automatic exchange of information, the Company is required to collect and report certain information about certain shareholders.

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

All new shareholders, excluding those whose shares are held in CREST, who come on to the share register with effect from 1 January 2016 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 **https://www.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, judgments, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

Benchmark

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

Glossary of Terms

Total Assets
Total assets less current liabilities, before deduction of all borrowings.

Net Asset Value
Net Asset Value (NAV) is the value of total assets less liabilities (including borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue.

Net Asset Value (Borrowings at Fair Value)
Borrowings are valued at an estimate of their market worth.

Net Asset Value (Borrowings at Par Value)
Borrowings are valued at their nominal par value

Net Liquid Assets
Net liquid assets comprise current assets less current liabilities excluding borrowings.

Premium/Discount
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.

Total Return
The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

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

Gearing
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.

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

Active Share
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.

pwc

The Directors
The Baillie Gifford Japan Trust plc
Calton Square
1 Greenside Row
Edinburgh
EH1 3AN

23 October 2017

Dear Sirs,

Statement of Reasons connected with ceasing to hold office as Auditors

In accordance with Section 519 of the Companies Act 2006 (the "Act"), we set out below the reasons connected with PricewaterhouseCoopers LLP, registered auditor number C001004062, ceasing to hold office as auditors of The Baillie Gifford Japan Trust plc, registered no: SC075954 (the "Company") effective from 30 November 2017.

The reason we are ceasing to hold office is that the Company undertook a competitive tender process for the position of statutory auditor and we mutually agreed with the Audit Committee not to participate due to the new "Mandatory audit firm rotation" rules under EU legislation which became effective on 17 June 2016.

There are no reasons for and no other matters connected with our ceasing to hold office as auditors of the Company that we consider need to be brought to the attention of the Company's members or creditors.

Yours faithfully,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EX
T: +44 (0) 1312 264 488, F: +44 (0) 1312 604 008, www.pwc.co.uk

Directors

Chairman:
Nick AC Bannerman

Paul S Dimond CMG
J Keith R Falconer
David P Kidd
Martin H Paling

Alternative Investment Fund Managers, Secretaries and Registered Office

Baillie Gifford & Co Limited
Calton Square
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www.bailliegifford.com

Registrar

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Bristol
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Tel: 0370 889 3221

Brokers

Canaccord Genuity Limited
9th Floor
88 Wood Street
London
EC2V 7QR

Independent Auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
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Atria One
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Edinburgh
EH3 8EX

Depositary

BNY Mellon Trust & Depositary (UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA

Company Details

www.japantrustplc.co.uk

Company Registration No.	SC075954
ISIN	GB0000485838
Sedol	0048583
Ticker	BGFD

Legal Entity Identifier:
54930037AGTKN765Y741

Further Information

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