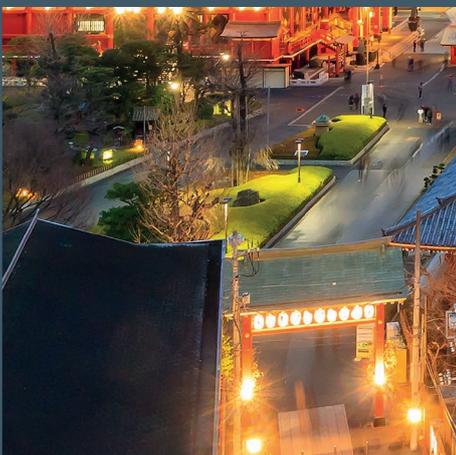
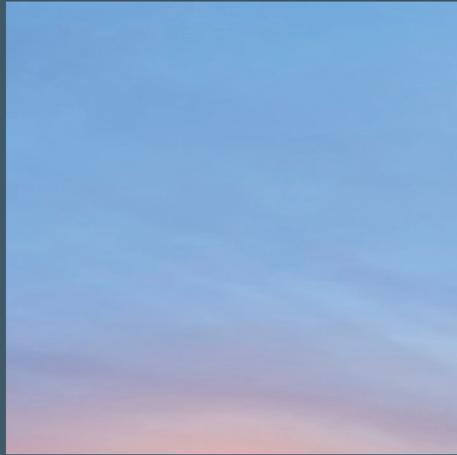
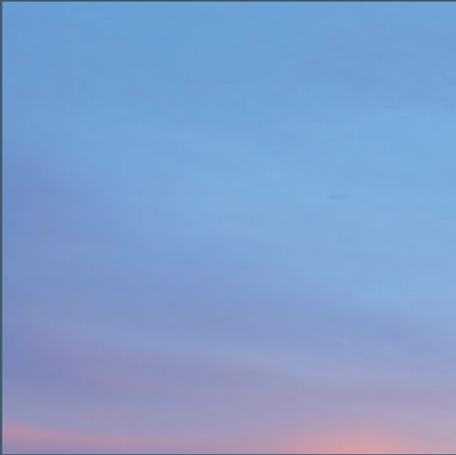


THE BAILLIE GIFFORD JAPAN TRUST PLC



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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 (FCA).

The Baillie Gifford Japan Trust PLC currently conducts its affairs, and intends to continue to conduct its affairs, so that the Company's Ordinary Shares can qualify to be considered as a mainstream investment product and can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the FCA in relation to non-mainstream investment products.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your ordinary shares in The Baillie Gifford Japan Trust PLC, please forward this document, together with any accompanying documents, but not your personalised Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.



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

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

Financial Highlights – Year to 31 August 2020 (2019)

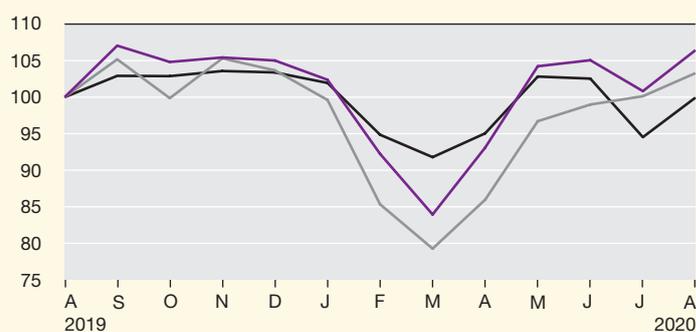
NAV 6.8% (2019 – (5.3%))	Share Price 3.7% (2019 – (7.4%))	Benchmark* (0.1%) (2019 – (0.5%))
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All figures total return†.

NAV, Share Price and Benchmark Total Return

(figures rebased to 100 at 31 August 2019)

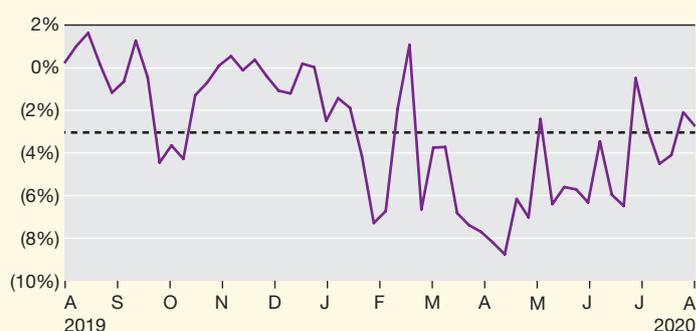
- NAV (after deducting borrowings at fair value†)
- Share price
- Benchmark*



Premium/(discount) to Net Asset Value

(figures plotted on a weekly basis)

- Premium/(discount) (after deducting borrowings at fair value†)
- - - - - Average discount (after deducting borrowings at fair value†)



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

† Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 59 and 60.

Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 58.

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

It has been an extraordinary year and as I write this report, equity markets appear to be ignoring the obscure economic outlook. At times like this, there is no substitute for active portfolio management, selecting stocks that not only can endure uncertainty but prosper as well.

The Board is pleased to be able to report that our Managers have moved seamlessly to working remotely and that both portfolio management, administrative and regulatory tasks have continued uninterrupted.

Performance

In the year to 31 August, after deducting borrowings at fair value, the net asset value total return was 6.8%. However, with the premium of 0.2% enjoyed last year falling to a discount of 2.7%, the rise in share price total return was a more modest 3.7%. The benchmark index fell by 0.1% over the same period. You do not need to be reminded that equity markets have been extremely volatile reflecting the uncertainty of the pandemic that has swept the world. The share price started the year at 791.0p, fell to a low of 514.0p in the middle of March, before retracing its steps to roughly where it started. Given the extraordinary uncertainties, the performance was better than we might have expected, and it beat inflation albeit by a small margin.

Gearing and Borrowing

March seems a long time ago, but at that time, the Board was confident in the portfolio and the progress of earnings. We had gearing of 12.4% which reflected that confidence. This was quickly reduced when visibility all but vanished. It remains low at 4.2%. Borrowings are in yen, matching the underlying portfolio, to mitigate the risk of currency movements which we do not feel able to predict.

In late August, we concluded the documentation for a new yen loan from Sumitomo Mitsui Banking Corporation (SMBC). The three year fixed loan rate is 0.925%. This compares with the previous loan rate of between 2.43% and 2.50%. Together with the loan from ING, which runs to 2024, the average interest rate on the total ¥21.5bn is 1.2%. With rates so low, it makes sense to borrow to gear the portfolio, and gearing can be expected to rise when investment prospects improve.

Portfolio Revenue and Dividend

Whilst the net asset value per share cannot be expected to advance every year, one can hope that underlying earnings and the stream of dividend income demonstrate a positive long term trend. Revenues in 2020 were £15,337,000, a rise of 13.6% from 2019. It is very encouraging that Japanese companies are able to offer rising dividends as well as capital returns and, by selecting suitable companies, we hope this trend will continue.

Expenses rose by 3.5% during the year from £4,803,000 to £4,970,000, largely accounted for by an increase in the management fee, as assets rose. That said, our ongoing charges (total expenses as a percentage of average net assets), fell to 0.68% compared to 0.70% last year and 1.23% ten years ago.

The present economic environment is particularly complicated with the impact of coronavirus and high levels of tension in international and trade relationships having a strong impact on profitability levels across a broad universe of companies. Whilst some of these influences are clearly negative, there have been significant positive catalysts for some businesses such as online retail, grocery delivery and businesses supporting either working or consuming from home. As your managers identify new or accelerated trends or practices, the portfolio is moving to include them. It is hard to offer comment on portfolio valuation and earning but more detail can be found in the Managers' Report.

The Company paid its first dividend in 2018 at a rate of 0.60p per share. This rose sharply to 3.50p per share in 2019 and I am pleased to say that the Board is recommending a final dividend this year of 4.50p per share. This will be put to shareholders for approval at the Annual General Meeting to be held on 3 December 2020 and, if approved, will be paid on 11 December 2020 to shareholders on the register at the close of business on 13 November 2020. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. The shares will go ex-dividend on 12 November 2020. For those shareholders electing to receive the DRIP the last date for receipt of election is 20 November 2020.

Share Capital and Discount Management

Investment Trusts have many advantages over open ended funds and your Board tries to engage these to your advantage. One negative feature is that the shares can fail to reflect the full total return if the price does not keep up with the net asset value, so the shares trade at a discount to their value. Good discount management is something shareholders have come to expect and the Board was quick to repurchase shares in March, buying back 566,716 shares with a value of £3,429,000. The discount at the year-end was 2.7% which is considerably lower than the peer group, the average of which was 7.7%.

Your Board believes it is important that the Company retains the power to buy back equity during the year and so, at the Annual General Meeting, is seeking to renew this facility. The Company also has authority to issue new shares and to reissue any shares held in treasury for cash on a non pre-emptive basis. Shares are issued/reissued only at a premium to net asset value, thereby enhancing net asset value per share for existing shareholders. The Directors are, once again, seeking 10% share issuance authority at the Annual General Meeting and we would continue to issue shares only when at a premium to net asset value. This authority would expire at the conclusion of the Annual General Meeting in 2021.

Past performance is not a guide to future performance.

Annual General Meeting

The Annual General Meeting of the Company has been scheduled to be held at Baillie Gifford's offices in Edinburgh at 12.30pm on Thursday, 3 December 2020 but, given the ongoing uncertainty around when public health concerns will abate, the Board will continue to monitor developments and may be unable to allow shareholders to attend in person. Accordingly, the Board encourages all shareholders to exercise their votes at the AGM by completing and submitting a form of proxy. We would encourage shareholders to monitor the Company's website at www.japantrustplc.co.uk where any updates will be posted and market announcements will also be made, as appropriate. Should shareholders have questions for the Board or the Managers or any queries as to how to vote, they are welcome as always to submit them by email to trustenquiries@bailliegifford.com or call 0800 917 2112.

Information on the resolutions can be found on pages 52 and 53. The Directors consider that all resolutions to be put to shareholders are in their and the Company's best interests as a whole and recommend that shareholders vote in their favour.

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

Board

I was honoured to take over the Chairmanship of your Board on the retirement of Nick Bannerman last December. It is always concerning to take over from such a competent and diligent Chairman as Nick proved to be. But I have been strongly supported by the Senior non-executive Director, Martin Paling, upon whose judgement and experience we have learnt to rely.

We have agreed a programme of rotation. Mr Paling will retire at the AGM in 2021, and I will retire around the ninth anniversary of my appointment.

Brexit

This year the Company is once again required to comment on the potential material impact of Brexit on its future prospects. Notwithstanding the UK's departure from the European Union on 31 January 2020, little has changed over the year. The Board has reconsidered the uncertainties surrounding Brexit and can see no scenario that it believes would affect the going concern status or viability of the Company. As the vast majority of the Company's assets are denominated in yen, the Company's greatest exposure to any potential impact from Brexit is through fluctuations in the exchange rate at which the value of its assets are converted into sterling (the Company's functional currency and that in which it reports its results).

Outlook

I am sure it is no more challenging to offer a view on the future than it is in any other year. It just feels that way! But the unknowns ranging from geo-politics to the virus and a possible vaccine, to unfettered monetary loosening, negative bond yields, closed borders and the general pace of change do not encourage me to offer a view.

In September, Japan appointed a new Prime Minister. Yoshihide Suga took over from Shinzo Abe who stepped down due to ill health. Mr Suga had been Mr Abe's closest aide throughout his eight year term, and while he may push to accelerate structural change, he is expected to continue broadly with existing monetary, fiscal and regulatory policies.

Baillie Gifford are stock pickers and have proved to be rather good at it. We should have faith that this success will continue and your Trust's shares will offer, over the long term at least, inflation beating returns that amply reward the shareholders.

J Keith R Falconer
Chairman
6 October 2020

One Year Summary

	31 August 2020	31 August 2019	% change	
Total assets (before deduction of bank loans)	£923.8m	£859.7m		
Bank loans	£151.4m	£127.6m		
Shareholders' funds	£772.4m	£732.1m		
Net asset value per share (after deducting borrowings at fair value)†	839.8p	789.3p		6.4
Share price	817.0p	791.0p		3.3
Yen/sterling exchange rate	142.0	129.3		(9.8)
Revenue earnings per ordinary share	6.56p	5.18p		
Dividend payable in respect of the financial year	4.50p	3.50p		28.6
Ongoing charges‡	0.68%	0.70%		
(Discount)/premium (after deducting borrowings at fair value)†	(2.7%)	0.2%		
Active share†	82%	84%		
Year to 31 August	2020	2019		
Total returns‡ (%)				
Net asset value per share (after deducting borrowings at fair value)	6.8%	(5.3)		
Share price	3.7%	(7.4)		
TOPIX (in sterling terms)*	(0.1%)	(0.5)		
Year to 31 August	2020	2020	2019	2019
Year's high and low	High	Low	High	Low
Net asset value per share (after deducting borrowings at fair value)	860.7p	579.8p	842.3p	628.8p
Share price	848.0p	532.0p	866.0p	663.0p
Premium/(discount) (after deducting borrowings at fair value)	1.8%	(12.4%)	8.3%	(0.9%)
	31 August 2020	31 August 2019		
Net return per ordinary share				
Revenue	6.56p	5.18p		
Capital	44.38p	(47.70p)		
Total	50.94p	(42.52p)		

* Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 58.

† See Glossary of Terms and Alternative Performance Measures on pages 59 and 60.

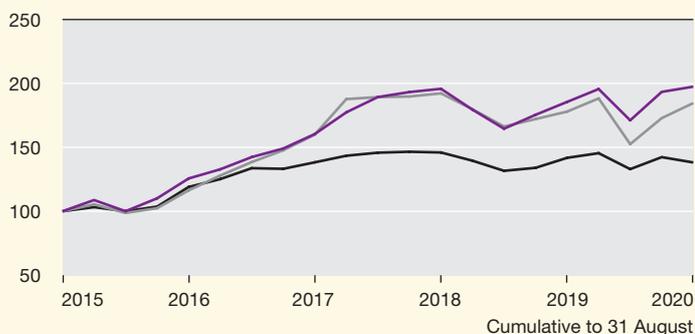
‡ Alternative performance measure, see Glossary of Terms and Alternative Performance Measures on pages 59 and 60.

Five Year Summary

The following charts indicate how an investment in Baillie Gifford Japan has performed relative to its benchmark and its net asset value over the five year period to 31 August 2020.

5 Year Total Return Performance

(figures rebased to 100 at 31 August 2015)



Source: Baillie Gifford/Refinitiv.
 — NAV total return (at fair)
 — Share price total return
 — Benchmark total return*

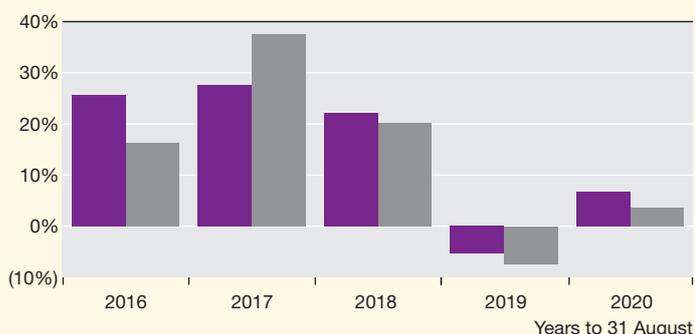
Premium/(Discount) to Net Asset Value

(figures plotted on a monthly basis)



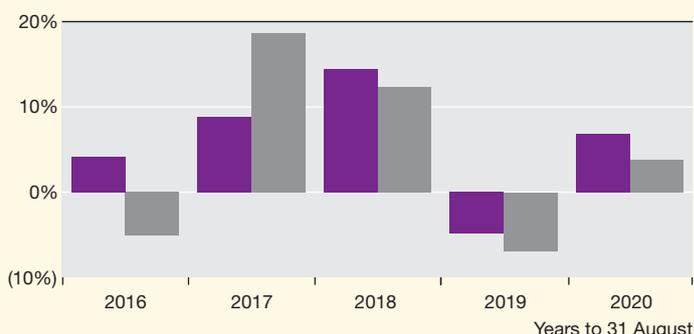
Source: Baillie Gifford/Refinitiv.
 — Baillie Gifford Japan premium/(discount)
 The premium/(discount) is the difference between Baillie Gifford Japan's quoted share price and its underlying net asset value (at fair).

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



Source: Baillie Gifford/Refinitiv.
 ■ NAV total return (at fair)
 ■ Share price total return

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



Source: Baillie Gifford/Refinitiv.
 ■ NAV total return (at fair)
 ■ Share price total return

* The benchmark is the TOPIX total return (in sterling terms). See disclaimer on page 58.
 For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 59 and 60.

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 ordinary share (fair)* p	Net asset value per ordinary share (par)* p	Share price p	Premium/ (discount) † (fair) %	Premium/ (discount) † (par) %
2010	143,641	27,508	116,133	186.7	187.5	153.8	(17.6)	(18.0)
2011	162,218	28,511	133,707	215.2	215.9	192.4	(10.6)	(10.9)
2012	163,131	28,544	134,587	216.9	217.3	197.0	(9.2)	(9.3)
2013	245,954	35,579	210,375	323.0	323.5	317.9	(1.6)	(1.7)
2014	290,447	41,733	248,714	353.3	358.7	352.3	(0.3)	(1.8)
2015	377,879	54,726	323,153	425.4	430.2	444.8	4.6	3.4
2016	500,291	75,294	424,997	534.6	539.8	517.5	(3.2)	(4.1)
2017	657,721	82,500	575,221	682.4	685.8	711.5	4.3	3.7
2018	870,590	114,486	756,104	834.0	835.8	855.0	2.5	2.3
2019	859,746	127,641	732,105	789.3	792.1	791.0	0.2	(0.1)
2020	923,809	151,420	772,389	839.8	840.8	817.0	(2.7)	(2.8)

* Net asset value per ordinary share has been calculated after deducting long term borrowings at either fair or par value. See note 19, page 49 and Glossary of Terms and Alternative Performance Measures on page 59.

† Premium/(discount) is the difference between the Company's quoted share price and its underlying net asset value (with borrowings at either par value or fair value) expressed as a percentage of net asset value. See Glossary of Terms and Alternative Performance Measures on page 59.

Revenue

Year to 31 August	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary share p	Dividend paid and proposed per ordinary share p	Ongoing charges # %
2010	2,605	447	0.72	–	1.23
2011	2,664	238	0.38	–	1.27
2012	3,251	777	1.25	–	1.20
2013	3,177	141	0.22	–	1.13
2014	3,746	322	0.47	–	0.90
2015	4,316	199	0.28	–	0.90
2016	7,090	1,823	2.35	–	0.88
2017	8,480	2,235	2.80	–	0.78
2018	10,874	2,234	2.54	0.60	0.73
2019	13,498	4,755	5.18	3.50	0.70
2020	15,337	6,047	6.56	4.50	0.68

Gearing Ratios

Gearing ‡ %	Potential gearing ¶ %
18	24
18	21
19	21
16	17
15	17
14	17
17	18
13	14
11	15
12	17
4	20

Total operating costs divided by average net asset value (with debt at fair value). See Glossary of Terms and Alternative Performance Measures on page 60.

‡ Total borrowings less all cash and cash equivalents expressed as a percentage of shareholders' funds. See Glossary of Terms and Alternative Performance Measures on page 60.

¶ Total borrowings expressed as a percentage of shareholders' funds. See Glossary of Terms and Alternative Performance Measures on page 60.

Cumulative Performance (taking 2010 as 100)

At 31 August	Net asset value per share total return (fair)	Share price total return	Benchmark §^
2010	100	100	100
2011	115	125	101
2012	116	128	99
2013	173	207	125
2014	189	229	130
2015	228	289	147
2016	286	337	179
2017	366	463	212
2018	447	556	229
2019	423	515	228
2020	452	534	227

Compound annual returns

5 year	14.7%	13.0%	9.0%
10 year	16.3%	18.2%	6.2%

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

^ Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 58.

Past performance is not a guide to future performance.

Business Review

Business Model

Business and Status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital, although, subject to shareholder approval sought annually, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand.

The Company has obtained approval as an investment trust from HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company is an Alternative Investment Fund (AIF) for the purposes of the 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 to smaller sized Japanese companies which are believed to have above average prospects for growth, although it invests in larger companies when considered appropriate.

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

The portfolio is constructed through the identification of individual companies which offer long term growth potential, typically over a three to five year horizon. The portfolio is actively managed and does not seek to track the benchmark; hence a degree of volatility against the index is inevitable.

In constructing the equity portfolio a spread of risk is achieved by diversifying the portfolio through investment in 40 to 70 holdings. Although sector concentration and the thematic characteristics of the portfolio are carefully monitored, there are no maximum limits to deviation from benchmark, stock or sector weights except as imposed by banking covenants on borrowings.

On acquisition, no holding shall exceed 5% of the portfolio at the time of purchase and any holding that as a result of good performance exceeds 5% of the portfolio is subject to particular scrutiny. A holding greater than 5% will 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 total assets will be invested in other UK listed investment companies.

The Company may use derivatives which will be principally, but not exclusively, for the purpose of efficient portfolio management (i.e. for the purpose of reducing, transferring or eliminating investment risk in its investments, including protection against currency risks).

The Company recognises the long term advantages of gearing and has a maximum equity gearing level of 30% of shareholders' funds.

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

A detailed analysis of the Company's Investment Portfolio is set out on pages 15 to 19 and in the Managers' Report and Review of Investments on pages 11 to 14.

Performance

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

Key Performance Indicators

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

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

An explanation of these measures can be found in the Glossary of Terms and Alternative Measures on pages 59 and 60.

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

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

Borrowings

Total borrowings at 31 August 2020 were ¥21.5 billion and are detailed in notes 11 and 12 on page 46.

Currency Hedging

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

Principal Risks

As explained on pages 25 and 26 there is an ongoing process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The Directors have carried out a robust assessment of the principal and emerging risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity. Baillie Gifford's Business Risk Department provides regular updates covering the Company's principal and emerging risks. There have been no significant changes to the principal risks during the year. A description of these risks and how they are being managed or mitigated is set out below.

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

Financial Risk – the Company's assets consist of listed securities and its principal financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 19 to the Financial Statements on pages 48 to 51. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 outbreak. 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. The Board has considered the potential impact on sterling from the remaining Brexit related uncertainties. The value of the Company's investment portfolio would be affected by any impact, positively or negatively, on sterling but such impact would be partially offset by the effect of exchange movements on the Company's yen denominated borrowings.

Investment Strategy Risk – pursuing an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or the ineffective implementation of an attractive or appropriate strategy, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company's shares. This may lead to the Company's shares trading at a widening discount to their Net Asset Value. To mitigate this risk, the Board regularly reviews and monitors: the Company's objective and investment policy and strategy; the investment portfolio and its performance; the level of premium/discount to Net Asset Value at which the shares trade; and movements in the share register.

Discount Risk – the premium/discount at which the Company's shares trade relative to its Net Asset Value can change. The risk of a widening discount is that it may undermine investor confidence in the Company. The Board monitors the level of premium/discount at which the shares trade and the Company has authority to buy back its existing shares when deemed by the Board to be in the best interests of the Company and its shareholders.

Regulatory Risk – failure to comply with applicable legal and regulatory requirements such as the tax rules for investment companies, the 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 security incidents. To mitigate this risk, the Audit Committee receives six monthly reports from the Depositary confirming safe custody of the Company's assets held by the Custodian. Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers. The Custodian's audited internal controls reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated. In addition, the existence of assets is subject to annual external audit.

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

Operational Risk – failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption (including any disruption resulting from the Covid-19 outbreak) or major disaster. Since the introduction of the Covid-19 restrictions, almost all Baillie Gifford staff have been working from home and operations have continued very largely as normal. The Audit Committee reviews Baillie Gifford's Report on Internal Controls and the reports by other key third party providers are reviewed by Baillie Gifford on behalf of the Board.

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 58 and in the Glossary of Terms and Alternative Measures on page 60.

Political Risk – political change in areas in which the Company invests or may invest may have practical consequences for the Company. To mitigate this risk developments are closely monitored and considered by the Board. The Board continues to monitor developments as they occur regarding the UK Government's intention that the UK should leave the European Union and to assess the potential consequences for the Company's future activities. Whilst there remains considerable uncertainty at present, the Board believes that the Company's portfolio, which comprises companies which are incorporated or domiciled in Japan, positions the Company to be suitably insulated from Brexit-related risk.

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 2018 UK Corporate Governance Code, assessed the prospects of the Company over a period of five years from the Balance Sheet date. The Directors continue to believe this period to be appropriate as it reflects the Company's longer term investment strategy and to be a period during which, in the absence of any adverse change to the regulatory environment and to the tax treatment afforded to UK investment trusts, they do not expect there to be any significant change to the current principal 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 8 and 9 and in particular the impact of market risk where a significant fall in Japanese equity markets would adversely impact the value of the investment portfolio. Specific leverage and liquidity stress testing was conducted during the year, including consideration of the risk of further market deterioration resulting from the coronavirus outbreak. The Company's investments are listed and readily realisable and can be sold to meet its liabilities as they fall due, the main liability currently being the bank borrowings. The Company's primary third party suppliers including its Managers and Secretaries, Depositary and Custodian, Registrar, Auditor and Broker are not experiencing significant operational difficulties affecting their respective services to the Company. In addition, all of the key operations required by the Company are outsourced to third party service providers and it is reasonably considered that alternative providers could be engaged at relatively short notice.

The Board has considered the Company's leverage and liquidity in the context of its borrowings. Specific leverage and liquidity stress testing was conducted during the year. The leverage stress testing identified the impact of leverage in scenarios where gross assets fall by 25% and 50%, reflecting a range of market conditions that may adversely impact the portfolio. The liquidity stress testing identified the reduction in value of assets that can be liquidated within one month that would result in the value of those assets falling below the value of the borrowings. The stress testing did not indicate any matters of concern.

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

Brexit – as a UK listed company, the Board and Managers have considered the implications of Brexit. Around half the Company's investments are domestically focused within Japan and the remaining holdings have minimal exposure to the UK. As the Company is priced in sterling, large movements in the yen/sterling exchange rate, which may arise as a result from Brexit, could affect the Company's NAV. The Board is therefore not concerned about the impact of Brexit on the portfolio.

Promoting the Success of the Company (Section 172 Statement)

Under section 172 of the Companies Act 2006, the directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters and to the extent applicable) to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the company.

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

The Board considers that the interests of the Company's key stakeholders are aligned, in terms of wishing to see the Company deliver sustainable long-term capital growth, in line with the Company's stated objective and strategy, and meet the highest standards of legal, regulatory, and commercial conduct, with the differences between stakeholders being merely a matter of emphasis on those elements. The Board's methods for assessing the Company's progress in the context of its stakeholders' interests are set out below.

The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the Board and Managers to present to shareholders on the Company's performance, future plans and prospects. It also

allows shareholders the opportunity to meet with the Board and Managers and raise questions and concerns. The Chairman is available to meet with shareholders as appropriate. The Managers meet regularly with shareholders and their representatives, reporting their views back to the Board. Directors are available to attend certain shareholder presentations, in order to gauge shareholder sentiment first hand. Shareholders may also communicate with members of the Board at any time by writing to them at the Company's registered office or to the Company's broker. These communication opportunities help inform the Board when considering how best to promote the success of the Company for the benefit of all shareholders over the long term. The Board of The Baillie Gifford Japan Trust PLC recognises the public health risk associated with the Covid-19 outbreak arising from public gatherings and notes the continuing Government measures restricting such gatherings, travel and attendances at workplaces. At the same time, the Board is conscious of its legal requirement to hold the Company's Annual General Meeting (AGM) before the end of February 2021. The Board has decided to aim to follow the Company's corporate calendar and, accordingly, the Company's AGM is being convened to take place at 12:30pm on Thursday 3 December. The Board will continue to monitor developments and any changes will be advised to shareholders and details will be updated on the Company's website.

The Board seeks to engage with its Managers and other service providers in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, whilst also ensuring that appropriate and regular challenge is brought and evaluation conducted. This approach aims to enhance service levels and strengthen relationships with the Company's providers, with a view to ensuring the interests of the Company's shareholders and other stakeholders are best served by keeping cost levels proportionate and competitive, and by maintaining the highest standards of business conduct.

Whilst the Company's operations are limited, as third party service providers conduct all substantive operations, the Board is aware of the need to consider the impact of the Company's investment strategy and policy on wider society and the environment. The Board considers that its oversight of environmental, social and governance ('ESG') matters is an important part of its responsibility to all stakeholders and that proper consideration of ESG factors sits naturally with Baillie Gifford Japan Trust's longstanding aim of providing a sustainable basis for adding value for shareholders. The Board's review of the Managers includes an assessment of their ESG approach and its application in making investment decisions. The Board supports the Managers' long-term perspective and regularly reviews Governance Engagement reports, which document the Managers' interactions with investee companies on ESG matters.

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

suitable consideration is given to the range of factors to which the Directors should have regard. In addition to ensuring that the Company's stated investment objective was being pursued, key decisions and actions during the year which required the Directors to have regard to applicable section 172 factors included:

- as part of ongoing Board succession and refreshment, the retirement of Nick Bannerman and appointment of Keith Falconer as Chairman on 5 December 2019; and the appointment and induction of Sharon Brown as Chair of the Company's Audit Committee, with effect from 3 October 2019. This supports the AIC Corporate Governance Code principle that 'a successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society';
- the drawing of a new borrowing facility from Sumitomo Mitsui Banking Corporation (SMBC) of ¥12.2bn at a rate of 0.925% thereby reducing the average annualised cost of debt from 2.0% in 2019 to 1.2% at 31 August 2020; and
- the Board's decision to declare a final dividend of 4.50p per ordinary share.

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no disclosures to be made in respect of employees, human rights and community issues. Further information on the Company's approach to environmental, social and governance (ESG) matters is provided on page 27.

Gender Representation

At 31 August 2020, the Board comprises five Directors, three male and two female. Mrs Sharon Brown was appointed to the Board on 3 October 2019. The Company has no employees. The Board's policy on diversity is set out on page 25.

Environmental, Social and Governance Policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 27.

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 12.

Managers' Report

It has been an eventful year. Little did we know when writing last year's report that the world would be engulfed by the coronavirus pandemic. Inevitably this has meant changes to working practices due to travel and office restrictions and we have spent roughly the last six months working from home and communicating with companies via Zoom and similar tools rather than visiting in person. But the fundamentals of investment are little changed and, as we will go on to discuss, the modest positive investment return over the last 12 months belies the challenges that the world has experienced.

As outlined in detail in the 2018 Annual Report we continue to manage the Trust with three central philosophies. First, we believe in genuinely long-term growth investing. Second, Baillie Gifford continues as a partnership with a sole focus on asset management. Finally, we believe that the investment trust structure is an excellent vehicle for compounding wealth. These central tenets have set us in good stead to cope with the current challenges. By its very nature, long-term growth investing tends to lead towards investing in more resilient businesses. Being a partnership allowed us to concentrate on the job in hand and a sole focus on asset management meant our IT systems were well prepared to cope with all eventualities. The investment trust structure means that the Trust did not have to deal with redemptions, and when the discount widened in March the Board conducted some share buybacks which helped to enhance returns for remaining shareholders, as discussed in the Chairman's Statement.

Performance

In some respects, Japan has been able to handle the coronavirus pandemic very well and in other respects it has provided significant challenges. So far, Japan has been able to restrict outbreaks of the virus to low levels, reflecting an effective public health service and cultural norms. In addition, most Japanese companies operate with strong balance sheets. Often, they attribute this approach to the need to be able to continue to pay wages in the event of a significant earthquake or other natural disaster – but it has proven equally effective during the pandemic. This has allowed companies to maintain or increase dividends over the last year to a far greater extent than their Western counterparts. Your Company has benefitted from this and the rising dividends received will enable it to pay an increased dividend, as outlined in the Chairman's Statement. However, Japan and Japanese companies have inevitably been affected by the drop in global demand. Manufacturing sectors have had a particularly difficult time, but reduced confidence has also had a significant effect on the domestic economy. Nonetheless, we can be reasonably satisfied with the underlying position of corporate Japan during a difficult period.

The Company's total assets increased to £924m and at the time of writing have exceeded £1bn for the first time. By itself this number is of no particular significance, but it does give us a good balance between investment flexibility and efficient spreading of costs to the benefit of all shareholders.

Over the past year the NAV total return per share (with borrowings deducted at fair value) was 6.8%, exceeding the total return of the Company's benchmark which was -0.1%. Although the year ended with a modest positive absolute return, the journey was volatile. The NAV ended the year at 840p but fell to a low of 580p in March during a phase when the market showed considerable concern about the pandemic. Over five years the NAV total return has outpaced the benchmark by 5.7% p.a. and over ten years by 10.1% p.a., demonstrating the benefit to shareholders of an active, long-term, growth-orientated approach to investing.

SoftBank Group (the strategic holding company) was the largest positive contributor to performance this year as the shares substantially outpaced the wider market, delivering a total return of 26% in sterling terms. We discussed the attractions of the company in some detail in last year's annual report but to summarise we believe that the combination of attractive underlying assets, a share price that trades at a large discount, and value-added management mutually reinforce each other to create a compelling investment opportunity. We also had good contributions from a variety of our internet holdings, including long-standing investments such as GMO Internet (the internet conglomerate) and M3 (the medical website), as well as more recent purchases such as Bengo4.com (the lawyers' website) and Demae-Can (the food delivery website).

As well as outlining the investment rationale for SoftBank Group, in last year's Annual Report we also discussed several entrepreneurial smartphone gaming companies. Among these, Colopl was the star, as its new game Dragon Quest Walk proved to be a hit, and the shares delivered a total return of 29% in sterling terms while neither Gree nor Mixi were remarkable with the former delivering a total return of -12% and the latter 1% in sterling terms over the year.

On the other hand, the largest negative contributors to performance were Inpex and Mazda. Inpex has succeeded in bringing its large liquified natural gas (LNG) project Ichthys to production but weak energy prices have limited earnings growth relative to what we had expected. Mazda continues to make progress in improving brand perception which we believe to be key to securing good margins in the longer-term but has suffered from very low vehicle demand as a consequence of the pandemic. We continue to retain both holdings.

Portfolio Positioning

As in last year's report, the equity portfolio is grouped into Secular Growth, Growth Stalwarts, Special Situations and Cyclical Growth reflecting our process. Secular Growth stocks remain the core of the portfolio, comprising 51% at the year end. These businesses are those that we believe have the highest potential growth but where there is also the greatest uncertainty as they are often operating in rapidly evolving markets. Most of the internet businesses, factory automation businesses and emerging healthcare stocks sit within this grouping. Around 33% of the equity portfolio is in internet related businesses and a further 14% in automation related businesses. Both are areas that we believe will show significant growth for a long period of time and where we can find exceptional quality businesses.

What is exciting us at the moment? Rakuten (the internet conglomerate) is making good progress with building out a fourth mobile phone network in Japan and we believe the opportunity to create wealth from this effort is substantial. Meanwhile Rakuten's core e-commerce business is growing well in the current environment which helps to provide the strong cash flows needed to fund its telecoms investment. SBI (the online brokerage) continues to make strong operational progress and on some measures has managed to become the largest brokerage in Japan. It is now also pursuing a strategy of partnering with regional banks and exploring the use of blockchain technologies in an effort to become a comprehensive financial services provider. Meanwhile, the world is changing and as investors we must try to be at the vanguard of the changes rather than left behind. We continue to be excited by the number of entrepreneurial growth companies available in Japan and over the last year several of the new holdings fall into this category.

In total we bought 6 new holdings and sold 8. Turnover was 21% during the year. Given that we started the year with 69 holdings, by name we have retained 88% of last year's portfolio. One question that we sometimes receive is how we factor in external events to our long-term stock-picking approach. To us, long-term investing means trying to hold businesses through the inevitable business fluctuations. Having a portfolio of individually resilient businesses and paying attention to the diversification of the overall portfolio helps with this. However, long-term investing does not mean taking an ostrich-like approach and ignoring serious potential for long-term capital destruction in the rare situations when the threat arises. As noted in the Interim Report we felt it to be necessary, in late January and early February, to sell out of Invincible Investment Corporation (a real estate investment company with a focus on hotels) and H.I.S. (a travel operator) as it became clear that the novel coronavirus was likely to have a deep impact on the travel and hospitality industries. Beyond those two companies our actions have been at the tempo of a more typical year.

Net gearing levels fell during the year and your Company ended the year with 4% net gearing reflecting several factors. First, the early sale of the travel and hospitality facing companies just mentioned, combined with the sales of companies whose attractions were, we felt, well understood by the market. Second, an improvement in overall Japanese share prices towards the year-end which acts to reduce the gearing levels. Finally, a recognition that the coronavirus pandemic is genuinely unprecedented in the experience of all living investors, so we want to retain the flexibility to invest heavily if businesses that we like become available at significantly discounted prices. We continued with the Company's strategy of securing long-term borrowings at low interest rates, as noted in the Chairman's Statement. This gives us substantial flexibility to invest in attractive opportunities as they become available without needing to sell shares from the rest of the portfolio.

Outlook

Your Company has been resilient to the coronavirus pandemic to date and the underlying progress made by a number of the holdings has been very satisfactory. The outlook for the global and Japanese economies remains, as ever, uncertain. The good news for shareholders is that it seems highly unlikely that the current coronavirus pandemic will be the main concern in five years' time. We believe that a selected portfolio of growing businesses is capable of increasing shareholders' wealth over time. When we consider the quality of the companies in your portfolio we look to the future with optimism and confidence.

Baillie Gifford
6 October 2020

Review of Investments

SoftBank

8.1% of total investments

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

GMO Internet

3.9% of total investments

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

Rakuten

3.9% of total investments

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

SBI

3.2% of total investments

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

Kubota

3.0% of total investments

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



Kubota
Providing agricultural machinery to the world.

Mixi

3.0% of total investments

Mixi is mainly a mobile gaming company with a founder shareholder, Kenji Kasahara, who holds over 40% of the shares. Currently the substantial majority of the profits come from the hit game Monster Strike, which is the largest grossing mobile game in Japan. We believe that the company has significant entrepreneurial energy and has the ability to generate future success, either in the gaming business or elsewhere.

Systemx

3.0% of total investments

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



Systemx
Providing diagnostic machines to laboratories.

CyberAgent

2.7% of total investments

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

Itochu

2.7% of total investments

Itochu is a general trading company but is differentiated from the other traders by its significant investments in China 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 has shown a good record of returns on equity and dividend growth in recent years.

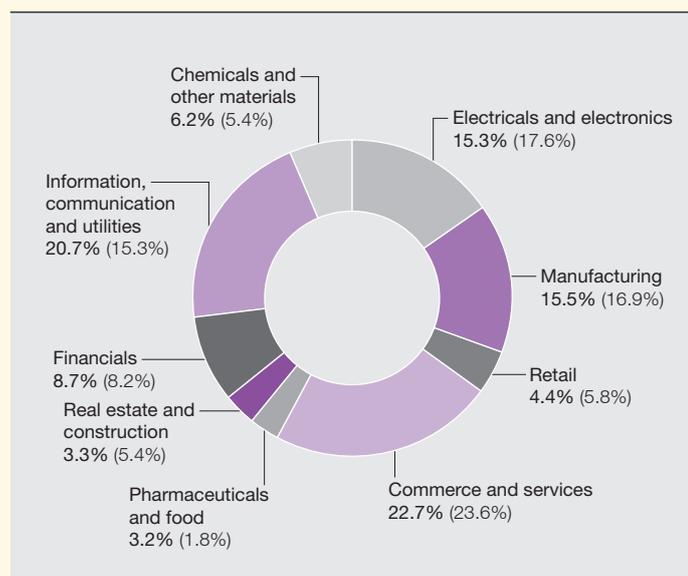
Sony

2.7% of total investments

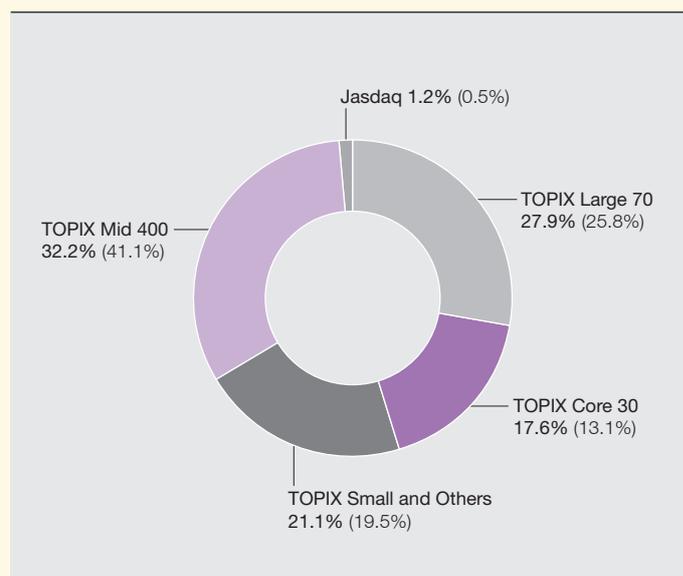
Sony is a major owner of game, music and film content. The PlayStation has established itself as the leading console and platform for networked games and is a front-runner in virtual reality (VR) gaming. The company is the world's largest music publisher and a major film producer. Growing demand from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

Distribution of Total Investments

Industry 2020 (2019)



Listings 2020 (2019)



Top Ten Relative Stock Contributors

Year to 31 August 2020

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
SoftBank	7.1	1.7	1.7
GMO Internet	3.5	0.0	1.4
M3	1.8	0.3	1.0
Bengo4.com	0.6	0.0	0.8
MonotaRO	1.7	0.1	0.7
Systemex	2.8	0.2	0.6
Demae-Can	0.7	0.0	0.6
Colopl	3.0	0.0	0.5
SMC	2.0	0.7	0.5
Mercari	0.6	0.0	0.4

Bottom Ten Relative Stock Contributors

Year to 31 August 2020

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
Inpex	2.3	0.2	(0.8)
Mazda Motor	1.9	0.1	(0.7)
Sato Holdings	2.0	0.0	(0.6)
iStyle	0.8	0.0	(0.6)
Rakuten	4.1	0.2	(0.5)
Topcon	1.1	0.0	(0.4)
Nintendo	0.0	1.2	(0.4)
Sumitomo Mitsui Trust	2.3	0.3	(0.4)
Lifull	0.7	0.0	(0.3)
Daikin	0.0	0.9	(0.3)

Top Ten Relative Stock Contributors

5 Years to 31 August 2020

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
SoftBank	5.2	1.7	3.0
Yaskawa Electric	2.6	0.2	2.9
M3	2.4	0.2	2.0
Advantest	1.0	0.1	1.8
Misumi	2.8	0.1	1.8
CyberAgent	2.5	0.1	1.7
Katitas	0.4	0.0	1.7
IRISO Electronics	1.4	0.0	1.7
ZOZO	2.2	0.1	1.6
GMO Internet	2.7	0.0	1.6

Bottom Ten Relative Stock Contributors

5 Years to 31 August 2020

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
Mazda Motor	1.4	0.2	(1.4)
Cookpad	0.6	0.0	(1.4)
Inpex	2.1	0.3	(1.4)
Asics	1.0	0.1	(1.2)
Toyo Tire & Rubber	1.3	0.0	(1.2)
H.I.S.	1.7	0.0	(1.1)
Rakuten	3.2	0.2	(1.0)
Sumitomo Mitsui Trust	2.0	0.3	(0.9)
iStyle	0.8	0.0	(0.9)
Daiichi Sankyo	0.0	0.6	(0.9)

Source: StatPro and relevant underlying index providers. Baillie Gifford Japan Trust relative to TOPIX total return, in sterling terms. See disclaimer on page 58.

Equity Portfolio by Growth Category

As at 31 August 2020

Secular Growth ¹		Growth Stalwarts ²		Special Situations ³		Cyclical Growth ⁴	
% of total Investments		% of total Investments		% of total Investments		% of total Investments	
GMO Internet	3.9	Calbee	1.7	SoftBank	8.1	Itochu	2.7
Rakuten	3.9	Zenkoku Hosho	1.2	Mixi	3.0	Denso	2.3
SBI	3.2	Makita	1.2	Sony	2.7	Sumitomo Mitsui Trust	2.3
Kubota	3.0	Pola Orbis	0.8	Colopl	2.4	Sumitomo Metal Mining	2.2
Systemx	3.0	Sugi	0.8	Tokyo Tatemono	1.3	Mazda Motor	1.7
CyberAgent	2.7	Park24	0.8	JAFCO	0.9	Mitsubishi Electric	1.7
Misumi	2.5	Asics	0.6	Gree	0.8	Outsourcing	1.6
Fanuc	2.2	Fukuoka Financial	0.6			Murata	1.6
Nidec	2.1	Mitsubishi UFJ	0.6			Nifco	1.4
MonotaRO	1.9	Lease & Finance	0.6			DMG Mori	1.3
Inpex	1.7	Secom	0.6			Iida	1.1
Sato	1.6	Sawai Pharmaceutical	0.5			Rohm	0.8
Recruit Holdings	1.2						
Demae-Can	1.2						
Bengo4.com	1.2						
SMC	1.0						
Infomart	1.0						
Toyota Tsusho	1.0						
Rakul	1.0						
Broadleaf	1.0						
Mercari	0.9						
ZOZO	0.9						
Digital Garage	0.9						
Pan Pacific International	0.8						
Subaru	0.8						
Keyence	0.8						
Topcon	0.7						
M3	0.7						
Peptidream	0.7						
Shimano	0.6						
iStyle	0.6						
Lifull	0.5						
Nippon Ceramic	0.4						
Noritsu Koki	0.4						
Healios K.K.	0.3						
Cyberdyne	0.2						
Rizap	0.2						
Total	50.7	Total	9.4	Total	19.2	Total	20.7

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

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

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

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

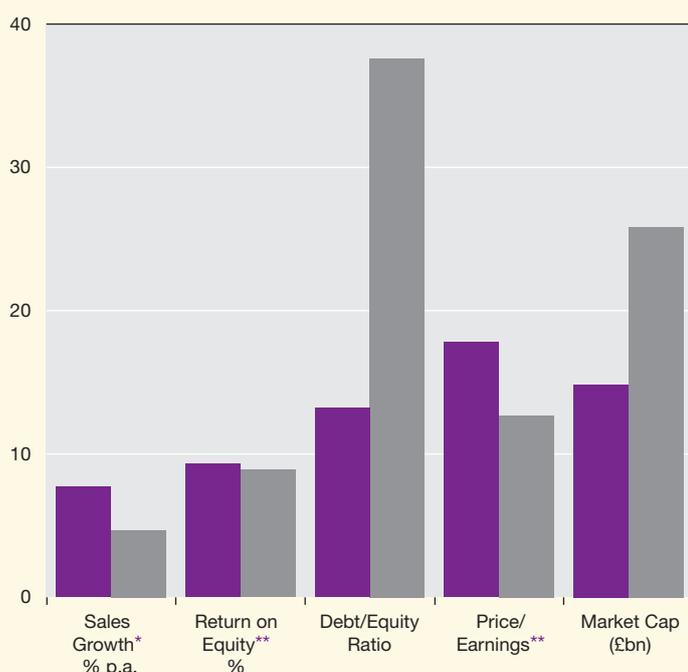
Holding Period

As at 31 August 2020

>10 years	% of total investments	5–10 years	% of total investments	2–5 years	% of total investments	<2 years	% of total investments
Rakuten	3.9	SoftBank	8.1	Colopl	2.4	Mixi	3.0
SBI	3.2	GMO Internet	3.9	Nidec	2.1	Denso	2.3
Kubota	3.0	CyberAgent	2.7	MonotaRO	1.9	Calbee	1.7
Sysmex	3.0	Sony	2.7	Sato	1.6	DMG Mori	1.3
Itochu	2.7	Sumitomo Mitsui Trust	2.3	Zenkoku Hosho	1.2	Demae-Can	1.2
Misumi	2.5	Fanuc	2.2	Infomart	1.0	Makita	1.2
Mitsubishi Electric	1.7	Sumitomo Metal Mining	2.2	Mercari	0.9	Bengo4.com	1.2
Inpex	1.7	Mazda Motor	1.7	JAFCO	0.9	Raksul	1.0
Murata	1.6	Outsourcing	1.6	Keyence	0.8	Pola Orbis	0.8
Nifco	1.4	Recruit Holdings	1.2	Peptidream	0.7	Sugi	0.8
Tokyo Tatemono	1.3	lida	1.1	Shimano	0.6	Total	14.5
SMC	1.0	Toyota Tsusho	1.0	iStyle	0.6		
ZOZO	0.9	Broadleaf	1.0	Secom	0.6		
Digital Garage	0.9	Subaru	0.8	Nippon Ceramic	0.4		
Pan Pacific International	0.8	Park24	0.8	Noritsu Koki	0.4		
Gree	0.8	Topcon	0.7	Healios K.K.	0.3		
Rohm	0.8	Lifull	0.5	Cyberdyne	0.2		
M3	0.7	Sawai Pharmaceutical	0.5	Rizap	0.2		
Asics	0.6	Total	35.0	Total	16.8		
Fukuoka Financial	0.6						
Mitsubishi UFJ Lease & Finance	0.6						
Total	33.7						

Stocks bought within the past year.

Portfolio Characteristics



- **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

Source: UBS, sterling, as at 31 August 2020.

*Historic: Trailing 3 years sales growth.

**12 month forward estimate.

Japan Trust
TOPIX

List of Investments at 31 August 2020

Name	Business	Value £'000	% of total investments	Absolute † performance %	Relative † performance %
SoftBank	Telecom operator and technology investor	65,056	8.1	25.8	25.9
GMO Internet	Internet conglomerate	31,416	3.9	40.3	40.4
Rakuten	Internet retail and financial services	31,181	3.9	(14.7)	(14.7)
SBI	Online financial services	25,476	3.2	8.7	8.8
Kubota	Agricultural machinery	24,273	3.0	16.9	16.9
Mixi	Mobile gaming	24,153	3.0	1.0	1.1
Systemx	Medical testing equipment	23,848	3.0	25.3	25.4
CyberAgent	Japanese internet advertising and content	22,108	2.7	8.0	8.1
Itochu	General trading firm	21,579	2.7	20.9	21.0
Sony	Consumer electronics, films and finance	21,558	2.7	26.0	26.1
Misumi	Online distributor of precision machinery parts	19,826	2.5	5.7	5.8
Colopl	Smartphone gaming and virtual reality (VR)	19,740	2.4	28.5	28.5
Denso	Auto parts	18,219	2.3	(8.3)*	(5.4)*
Sumitomo Mitsui Trust	Japanese trust bank and investment manager	18,157	2.3	(16.7)	(16.7)
Fanuc	Robotics manufacturer	18,004	2.2	(6.8)	(6.7)
Sumitomo Metal Mining	Smelting and copper, nickel and gold mining	17,892	2.2	1.0	1.0
Nidec	Specialist motors	17,221	2.1	18.1	18.1
MonotaRO	Online business supplies	15,256	1.9	46.7	46.8
Mazda Motor	Car manufacturer	13,845	1.7	(27.6)	(27.6)
Mitsubishi Electric	Develops, manufactures and markets electronic equipment	13,817	1.7	6.4	6.5
Calbee	Branded snack foods	13,717	1.7	2.1 *	3.3 *
Inpex	Oil and gas producer	13,458	1.7	(30.3)	(30.3)
Sato	Barcode and RFID technology	12,960	1.6	(28.7)	(28.7)
Outsourcing	Employment placement services	12,909	1.6	(15.2)	(15.2)
Murata	Manufactures and sells ceramic applied electronic components	12,857	1.6	30.3	30.4
Nifco	Value-added plastic car parts	11,673	1.4	3.9	3.9
Tokyo Tatemono	Property leasing and development	10,773	1.3	(12.6)	(12.5)
DMG Mori	Machine tool manufacturer	10,374	1.3	(12.6)	(12.6)
Zenkoku Hosho	Speciality finance	10,047	1.2	(13.4)	(13.4)
Recruit Holdings	Property, lifestyle and HR media	9,853	1.2	15.0	15.0
Demae-Can	Online meal delivery service	9,747	1.2	44.6 *	44.7 *
Makita	Manufactures power tools	9,711	1.2	44.3	44.4
Bengo4.com	Online legal consultation	9,529	1.2	124.2 *	132.2 *
Iida	Japanese house builder	9,225	1.1	17.7	17.8
SMC	Producer of factory automation equipment	8,451	1.0	32.9	33.0
Infomart	Internet platform for restaurant supplies	8,018	1.0	(14.5)	(14.5)
Toyota Tsusho	Markets automobiles and other products, Africa focus	7,802	1.0	(11.9)	(11.8)
Rakul	Internet based services	7,737	1.0	(16.2)*	(14.6)*
Broadleaf	Online platform for buying car parts	7,686	1.0	(15.2)	(15.2)
Mercari	Software development services	7,368	0.9	76.2	76.3
ZOZO	Internet fashion retailer	7,206	0.9	40.4	40.5
Digital Garage	Internet business investor	7,096	0.9	(14.4)	(14.4)
JAFCO	Forms venture capital groups	6,976	0.9	8.4	8.5
Pola Orbis	Manufactures cosmetic products	6,844	0.8	(4.5)*	(14.5)*
Sugi	Drug store chain	6,708	0.8	40.6 *	33.8 *
Pan Pacific International	Discount store chain	6,551	0.8	37.4	37.5
Gree	Mobile gaming	6,320	0.8	(12.4)	(12.4)
Subaru	Niche car brand	6,313	0.8	(27.4)	(27.4)

Name	Business	Value £'000	% of total investments	Absolute † performance %	Relative † performance %
Rohm	Electronic component manufacturer	6,220	0.8	(16.7)	(16.6)
Park24	Parking, car hire and sharing	6,215	0.8	(18.0)	(18.0)
Keyence	Manufacturer of sensors	6,122	0.8	26.6	26.7
Topcon	GPS systems	5,978	0.7	(35.5)	(35.4)
M3	Online medical services	5,656	0.7	146.6	146.7
Peptidream	Drug discovery and development platform	5,479	0.7	(29.6)	(29.6)
Shimano	Cycling component manufacturer	5,202	0.6	34.9	35.0
Asics	Sports shoes and clothing	4,942	0.6	(1.9)	(1.9)
Fukuoka Financial	Regional bank	4,697	0.6	(8.9)	(8.8)
iStyle	Beauty product review website	4,630	0.6	(57.5)	(57.5)
Mitsubishi UFJ Lease & Finance	Leasing services	4,579	0.6	(17.6)	(17.6)
Secom	Security services	4,561	0.6	2.3	2.3
Lifull	Provides online property information	4,429	0.5	(35.2)	(35.1)
Sawai Pharmaceutical	Generic pharmaceuticals	4,123	0.5	(10.8)	(10.7)
Nippon Ceramic	Electronic component manufacturer	3,534	0.4	(11.4)	(11.4)
Noritsu Koki	Holding company with interests in biotech and agricultural products	2,882	0.4	(17.9)	(17.9)
Healios K.K.	Regenerative medicine	2,154	0.3	29.2	29.3
Cyberdyne	Medical exo-skeletons	1,812	0.2	(32.6)	(32.6)
Rizap	Low calories food supplier and fitness gym operator	1,598	0.2	(52.2)	(52.2)
Total Investments		805,347	100.0		
Net Liquid Assets		118,462			
Total Assets		923,809			
Bank Loans		(151,420)			
Equity Shareholders' Funds		772,389			

† Absolute and relative performance has been calculated on a total return basis over the period 1 September 2019 to 31 August 2020. 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 58.

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 6 October 2020.

J Keith R Falconer
Chairman

Directors and Management

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

Directors

Keith Falconer – Chairman

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

Sharon Brown

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

David Kidd

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

Martin Paling

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

Joanna Pitman

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

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

Managers and Secretaries

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

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages eleven investment trusts. Baillie Gifford also manages a listed investment company 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 £285 billion at 6 October 2020. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 46 partners and a staff of around 1,300.

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

Baillie Gifford & Co Limited and Baillie Gifford & Co are both authorised and regulated by the Financial Conduct Authority.

Directors' Report

The Directors present their Report together with the audited Financial Statements of the Company for the year to 31 August 2020.

Corporate Governance

The Corporate Governance Report is set out on pages 24 to 27 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 0.75% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets, calculated and payable quarterly.

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

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

Depository

In accordance with the Alternative Investment Fund Managers (AIFM) Directive, the AIFM must appoint a Depository to the Company. The Bank of New York Mellon (International) Limited has been appointed as the Company's Depository.

The Depository'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 custody function is also undertaken by The Bank of New York Mellon (International) Limited.

Directors

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

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

The Board also considers that Mr Paling remains independent notwithstanding having served on the Board for more than nine years, as explained on page 24.

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 2020 and up to the date of approval of this report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him/her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

The Company maintains Directors' and Officers' liability insurance.

Conflicts of Interest

Each Director submits a list of potential conflicts of interest to the Nomination Committee on an annual basis. The Committee considers these carefully, taking into account the circumstances surrounding them and makes a recommendation to the Board on whether or not the potential conflicts should be authorised. Board authorisation is for a period of one year. Having considered the lists of potential conflicts there were no situations which gave rise to a direct or indirect interest of a Director which conflicted with the interests of the Company.

Dividend

The Board recommends a final dividend of 4.50p per ordinary share. If approved, the recommended final dividend will be paid on 11 December 2020 to shareholders on the register at the close of business on 13 November 2020. The ex-dividend date is 12 November 2020. A dividend reinvestment plan (DRIP) is available to shareholders who would prefer to invest their dividends in the shares of the Company. For those shareholders electing to receive the DRIP the last date for receipt of the election is 20 November 2020.

Share Capital

Capital Structure

The Company's capital structure consists of 91,858,209 ordinary shares of 5p each at 31 August 2020 (2019 – 92,424,925).

At 31 August 2020, 566,716 shares were held in treasury.

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 53 and 54.

Major Interests in the Company's Shares

Name	No of ordinary 5p shares held at 31 August 2020	% of issue
Brewin Dolphin Limited (indirect)	4,597,276	5.0
Quilter Cheviot Limited (indirect)	3,547,139	3.9
Rathbone Brothers PLC (indirect)	3,412,614	3.7

There have been no changes to the major interests in the Company's shares intimated up to 5 October 2020.

Share Issuance Authority

At the last Annual General Meeting, the Directors were granted authority to issue shares up to an aggregate nominal amount of £1,540,261.38 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 £462,142.62. These authorities are due to expire at the Annual General Meeting on 3 December 2020.

Resolution 13 in the Notice of Annual General Meeting seeks to renew the Directors' general authority to issue shares up to an aggregate nominal amount of £459,291.04. This amount represents 10% of the Company's total ordinary share capital in issue at 5 October 2020 and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 13 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 14, 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 £459,291.04 (representing 10% of the issued ordinary share capital of the Company as at 5 October 2020). The authorities sought in Resolutions 13 and 14 will continue until the conclusion of the Annual General Meeting to be held in 2021 or on the expiry of 15 months from the passing of this Resolution, if earlier.

Such authorities will only be used to issue shares or re-sell shares from treasury at a premium to net asset value and only when the Directors believe that it would be in the best interests of the Company to do so. The Directors believe that the ability to buy back shares at a discount and re-sell them or issue new shares at a premium are useful tools in smoothing supply and demand.

Market Purchases of Own Shares

At the last Annual General Meeting the Company was granted authority to purchase up to 13,854,496 ordinary shares (equivalent to 14.99% of its issued share capital), such authority to expire at the 2020 Annual General Meeting. The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases up to 13,769,545 ordinary shares representing approximately 14.99% of the Company's ordinary shares in issue, excluding treasury shares, at the date of passing of the Resolution, such authority to expire at the Annual General Meeting of the Company to be held in 2021.

During the year to 31 August 2020, 566,716 shares were bought back (0.6% of the called up share capital at 31 August 2019) at a cost of £3,429,000. 566,716 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 per cent above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
- (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy back programmes and stabilisation of financial instruments (No. 2273/2003).

The minimum price (exclusive of expenses) that may be paid will be 5p per share. Purchases of shares will be made within guidelines established, from time to time, by the Board. Your attention is drawn to Resolution 15 in the Notice of Annual General Meeting. This authority, if conferred, will only be exercised if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders and if it is considered in the best interests of shareholders generally.

Directors' Fee Limit

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

Articles of Association

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

Continuation of the Company

The Company's Articles of Association give shareholders the right to vote annually at the Annual General Meeting of the Company on whether to continue the Company. The Directors wish to draw your attention to Resolution 12 in the Notice of Annual General Meeting, which proposes that the Company continues in operation until the 2021 Annual General Meeting.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 19 to the Financial Statements.

Disclosure of Information to Auditor

The Directors confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditor is unaware and the Directors have taken all the steps that they might reasonably be expected to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Independent Auditor

The Auditor, KPMG LLP, is willing to continue in office and in accordance with section 489 and section 491(1) of the Companies Act 2006 resolutions concerning their re-appointment and remuneration will be submitted to the Annual General Meeting.

Post Balance Sheet Events

The Directors confirm that there have been no significant post Balance Sheet events up to 5 October 2020.

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.

On behalf of the Board
J Keith R Falconer
Chairman
6 October 2020

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2018 UK Corporate Governance Code (the 'Code') which can be found at www.frc.org.uk and the relevant principles of the Association of Investment Companies (AIC) Code of Corporate Governance issued in 2019 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 Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. Given that the Company is an externally managed investment trust, the Board considers these provisions are not relevant to the Company (the need for an internal audit function specific to the Company has been addressed on page 28).

The FRC has confirmed that AIC member companies who report against the AIC Code will be meeting their obligations in relation to the UK Code.

The Board

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

At 31 August 2020, the Board comprises five Directors, all of whom are non-executive. The Chairman, Mr JKR Falconer, is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

The executive responsibility for investment management has been delegated to the Company's Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited, and, in the context of a Board comprising entirely non-executive Directors, there is no chief executive officer. Mr Paling is the Senior Independent Director.

The Directors believe that the Board has a balance of skills and experience that enables it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on page 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. In accordance with the Code, all Directors are subject to annual election by shareholders.

Chairman and Directors' Tenure

The Nomination Committee has considered the question of tenure for Directors and has concluded that there should not be a set maximum time limit for a Director or Chairman to serve on the Board. The Nomination Committee keeps under review the balance of skills, knowledge, experience, performance and length of service of the Directors ensuring the Board has the right combination of skills and preservation of knowledge and experience balanced with the appointment of new Directors bringing fresh ideas and perspective.

Independence of Directors

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

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

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

Mr Paling has served on the Board for more than nine years. Following formal performance evaluation, the Board concluded that, notwithstanding his length of service, Mr Paling continues to be independent in character and judgement. Mr Paling has extensive investment experience. His 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
JKR Falconer*	5	1	1
S Brown†	4	1	1
DP Kidd	5	2	1
MH Paling	5	2	1
JB Pitman	5	2	1
NAC Bannerman#	2	1	–

* Mr Falconer ceased to be a member of the Audit Committee following his appointment as Chairman on 5 December 2019.

† Mrs Brown was elected to the Board on 3 October 2019.

Mr Bannerman retired from the Board following the AGM on 5 December 2019.

Nomination Committee

The Nomination Committee consists of the whole Board and the Chairman of the Board is the Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference which include reviewing the composition of the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, succession planning and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not the potential conflicts should be authorised.

Diversity

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

The Committee's terms of reference are available on request from the Company and on the Company's website: 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 met with the Chairman and the Chairman's appraisal was led by Mr M Paling, the Senior Independent Director. The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and its Committees. Following this process it was concluded that the performance of each Director, the Chairman, the Board and its Committees continues to be effective and that each Director and the Chairman remain committed to the Company.

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

Induction and Training

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

Remuneration

As all the Directors are non-executive, there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 30 and 31.

Audit Committee

The report of the Audit Committee is set out on pages 28 and 29.

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, The Bank of New York Mellon (International) Limited acts as the Company's Depository, and Baillie Gifford & Co Limited as AIFM.

The Depository'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 Depository is liable for the loss of financial instruments held in custody. The Depository will ensure that any delegate segregates the assets of the Company. As explained on page 21, the Company's Depository also acts as the Company's Custodian. The Custodian prepares a report on its key controls and safeguards which is independently reviewed by KPMG LLP. The reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns are investigated.

The Depository 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 58), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing are escalated to the AIFM and reported to the Board along with remedial measures being taken.

Going Concern

In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, including its Covid-19 guidance, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern and specifically in the context of the coronavirus pandemic.

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 19 to the Financial Statements. The Board has, in particular, considered the impact of heightened market volatility since the coronavirus (Covid-19) outbreak including through the performance of stress testing using a variety of parameters which have the potential to impact the Company's share price and net asset value. The Directors do not believe the Company's going concern status is affected. In addition, the Company is subject to an annual continuation vote which in previous years has been passed with a significant majority. The Directors have no reason to believe that the vote will not continue to be in favour based on their assessment of the Company's performance and the views collated from shareholders. For these reasons the Directors have prepared the Financial Statements on a going concern basis. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011. The Company's third party suppliers, including its Managers and Secretaries, Custodian and Depository, Registrar, Auditor and Broker are not experiencing significant operational difficulties affecting their respective services to the Company.

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

Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal risks and other matters set out in the Viability Statement on page 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, Investec Bank plc (see contact details on back cover).

The Company's Annual General Meeting provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the Meeting and is published at 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, Baillie Gifford & Co, are signatories of the United Nations Principles for Responsible Investment and the Carbon Disclosure Project and are also members of the Asian Corporate Governance Association and the International Corporate Governance Network.

On behalf of the Board
J Keith R Falconer
Chairman
6 October 2020

Audit Committee Report

The Audit Committee consists of all Directors with the exception of Mr Falconer. On the retirement of Mr Bannerman, following last year's AGM, Mr Falconer was appointed Chairman of the Company and Mrs Brown was appointed Chair of the Audit Committee. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. The Committee's authority and duties are clearly defined within its written terms of reference which are available on request from the Company Secretaries and at 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 KPMG LLP, the external Auditor, attended both meetings. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes for these meetings.

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

- the results announcement and the Annual and Interim reports;
- the Company's accounting policies and practices;
- the regulatory changes impacting the Company;
- the fairness, balance and understandability of the Annual Report and Financial Statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- the effectiveness of the Company's internal control environment;
- the appointment/reappointment, remuneration and terms of engagement of the external Auditor;
- the policy on the engagement of the external Auditor to supply non-audit services;
- the independence and objectivity of the external Auditor and the effectiveness of the audit process;
- the need for the Company to have its own internal audit function;
- the internal controls reports received from the Managers and Custodian; and
- the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Internal Audit

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

Financial Reporting

The Committee considers that the most significant areas of risk likely to impact the Financial Statements are the existence and valuation of investments, as they represent 87.2% of total assets. Another area of risk considered by the Committee is the accuracy and completeness of income from investments.

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

The value of all the investments at 31 August 2020 were agreed by the Auditor to external price sources and the portfolio holdings agreed to confirmations from the Company's Custodian.

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

The Committee considered the factors, including the impact of Covid-19, that might affect the Company's viability over a period of five years and its ability to continue as a going concern for at least twelve months from the date of signing of the Financial Statements, together with reports from the Managers on the cash position and cash flow projections of the Company, the liquidity of its investment portfolio, compliance with debt covenants, availability of borrowing facilities, and the Company's ability to meet its obligations as they fall due. The Committee also reviewed the Viability Statement on page 9 and statement on Going Concern on page 26 including the potential impact of Covid-19. Following this assessment, the Committee recommended to the Board the appropriateness of the Going Concern basis in preparing the Financial Statements and confirmed the accuracy of the Viability Statement and statement on Going Concern.

The Managers and Auditor confirmed to the Committee that they were not aware of any material misstatements in the context of the Financial Statements as a whole and that the Financial Statements are in accordance with applicable law and accounting standards.

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 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. The Auditor will not provide any non-audit services unless approved by the Committee. There were no non-audit fees for the year to 31 August 2020 or 31 August 2019.

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.

KPMG LLP was appointed as the Company's Auditor at the Annual General Meeting held on 30 November 2017. The audit partner responsible for the audit will be rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. Mr Waterson, the current partner, will continue as audit partner until the conclusion of the 2022 audit. In accordance with regulations in relation to the statutory audits of listed companies, the Company is required to put the audit out to tender for the 2028 year end.

KPMG LLP has confirmed that it believes it is independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired.

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

The audit fee has increased from £21,000 to £30,000. The previous fee was agreed in May 2017 and has not been increased in the last three years. There has been significant change in the regulatory environment and additional audit procedures are now required. The Committee considered the increase by benchmarking fees for similar trusts and agreed the increase was justified.

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

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 32 to 37.

On behalf of the Board
Sharon Brown
Audit Committee Chair
6 October 2020

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. As the Remuneration Policy was last approved by shareholders in November 2017, shareholders' approval of the policy is being sought at the forthcoming Annual General Meeting. Your attention is drawn to Resolution 2 in the notice of Annual General Meeting on page 52. The policy for which approval is being sought is set out below and is unchanged from that currently in force.

The Board reviewed the level of fees during the year and it was agreed that there would be no change to the Directors' fees. The fees were last increased on 1 September 2018, when the Chairman's fee was increased to £36,000, the Directors' fees to £26,000 with the Audit Committee Chairman's additional fee increased to £3,500 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 £200,000 per annum in aggregate.

The fees paid to Directors in respect of the year ended 31 August 2020 and the expected fees payable in respect of the year ending 31 August 2021 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 2021 £	Fees as at 31 Aug 2020 £
Chairman's fee	36,000	36,000
Non-executive Director fee	26,000	26,000
Additional fee for Chairman of the Audit Committee	3,500	3,500
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	200,000	200,000

Annual Report on Remuneration

An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 33 to 37.

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	2020 Fees £	2020 Taxable benefits* £	2020 Total £	2019 Fees £	2019 Taxable benefits* £	2019 Total £
JKR Falconer (Chairman)	34,346	–	34,346	29,500	–	29,500
S Brown (appointed 3 October 2019)	26,389	177	26,566	–	–	–
DP Kidd	26,000	1,776	27,776	26,000	777	26,777
MH Paling	26,000	2,057	28,057	26,000	1,517	27,517
JB Pitman	26,000	1,456	27,456	26,000	1,598	27,598
NAC Bannerman (retired 5 December 2019)	9,554	439	9,993	36,000	270	36,270
PS Dimond (retired 6 December 2018)	–	–	–	6,900	1,396	8,296
	148,289	5,905	154,194	150,400	5,558	155,958

* 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 5 October 2020.

Name	Nature of interest	Ordinary 5p shares held at 31 August 2020	Ordinary 5p shares held at 31 August 2019
JKR Falconer	Beneficial	8,000	8,000
S Brown	Beneficial	3,995	–
DP Kidd	Beneficial	32,500	30,000
MH Paling	Beneficial	10,000	10,000
JB Pitman	Beneficial	5,262	5,262

Statement of Voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Report, 99.6% were in favour, 0.4% were against and votes withheld were 0.0%. At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (November 2017), 99.4% of the proxy votes received were in favour, 0.4% were against and 0.2% were withheld.

Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration and distributions to shareholders. As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders.

	2020 £'000	2019 £'000	Change %
Directors' remuneration	154	156	(1.3)
Dividends paid to shareholders	3,235	547	591.4

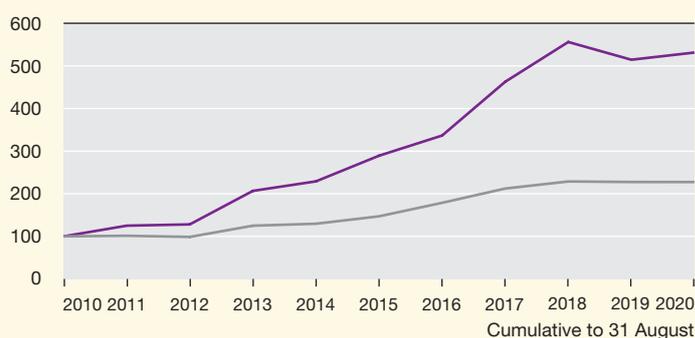
Company Performance

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 2010)

Past performance is not a guide to future performance.



Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 58.

— 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 30 and 31 was approved by the Board of Directors and signed on its behalf on 6 October 2020.

J Keith R Falconer
Chairman

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

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

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

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent;
- assess the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

Responsibility Statement of the Directors in Respect of the Annual Financial Report

We confirm to the best of our knowledge:

- the Financial Statements, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

We consider the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board
J Keith R Falconer
6 October 2020

Notes

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

- The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page of the Managers' website; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website; and
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Independent auditor's report

to the members of The Baillie Gifford Japan Trust PLC

1. Our opinion is unmodified

We have audited the financial statements of The Baillie Gifford Japan Trust PLC ("the Company") for the year ended 31 August 2020 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2020 and of its return for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards, including FRS 102, the Financial Reporting Standards applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 30 November 2017. The period of total uninterrupted engagement is for the three financial years ended 31 August 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality:	£9.2m (2019:£8.6m)
financial statements as a whole	1% (2019: 1%) of Total Assets

Key audit matters vs 2019

Recurring risk	Carrying Amount of Quoted Investments	◀▶
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2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter (unchanged from 2019) in arriving at our audit opinion above, together with our key audit procedures to address this matter and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. This matter was addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

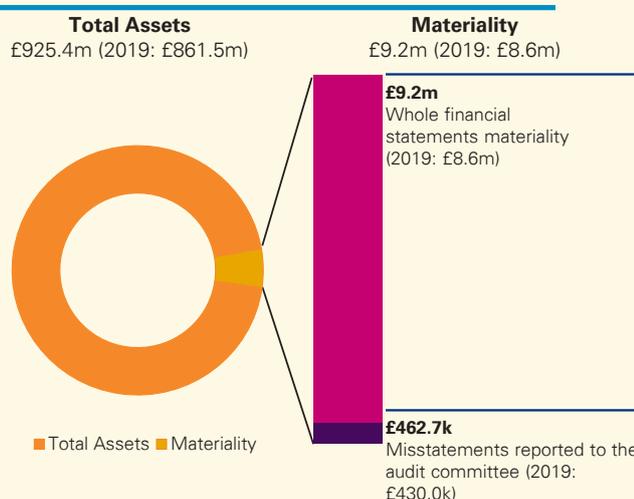
	The risk	Our response
<p>Carrying amount of quoted investments</p> <p>(£805.4 million; 2019: £819.6 million)</p> <p><i>Refer to pages 28 (Audit Committee Report), page 42 (accounting policy) and page 45 (financial disclosures).</i></p>	<p>Low risk, high value:</p> <p>The Company's portfolio of quoted investments make up 87.0% (2019: 95.1%) of the Company's total assets (by value) and are considered to be the key driver of operations and performance results. We do not consider these investments to be a high risk of significant misstatement, or to be subject to a significant level of judgement, because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> — Tests of detail: Agreeing the valuation of 100 per cent of quoted investments in the portfolio to externally quoted prices; and — Enquiry of custodians: Agreeing 100 per cent of the investment holdings in the portfolio to independently received third party confirmations from investment custodians. <p>Our findings</p> <ul style="list-style-type: none"> — We found no differences from the holdings confirmations or externally quoted prices of a size to require reporting to the audit committee (2019: no differences from the holdings confirmations or externally quoted prices of a size to require reporting to the audit committee).

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

Materiality for the financial statements as a whole was set at £9.2m (2019: £8.6m), determined with reference to a benchmark of total assets, of which it represents 1% (2019: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £462.7k (2019: £430.0k); in addition to other identified misstatements that warranted reporting on qualitative grounds.

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



4. We have nothing to report on going concern

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

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 26 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

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

Disclosures of emerging and principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 9 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

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

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Report does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 32, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors, the manager and the administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: the Listing Rules and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**John Waterson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
20 Castle Terrace,
Edinburgh, EH1 2EG

6 October 2020

Income Statement

For the year ended 31 August

	Notes	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Gains/(losses) on investments	9	–	34,676	34,676	–	(34,974)	(34,974)
Currency gains/(losses)	14	–	6,225	6,225	–	(8,815)	(8,815)
Income	2	15,337	–	15,337	13,498	–	13,498
Investment management fee	3	(4,380)	–	(4,380)	(4,149)	–	(4,149)
Other administrative expenses	4	(590)	–	(590)	(654)	–	(654)
Net return before finance costs and taxation		10,367	40,901	51,268	8,695	(43,789)	(35,094)
Finance costs of borrowings	5	(2,788)	–	(2,788)	(2,589)	–	(2,589)
Net return before taxation		7,579	40,901	48,480	6,106	(43,789)	(37,683)
Tax on ordinary activities	6	(1,532)	–	(1,532)	(1,351)	–	(1,351)
Net return after taxation		6,047	40,901	46,948	4,755	(43,789)	(39,034)
Net return per ordinary share	7	6.56p	44.38p	50.94p	5.18p	(47.70p)	(42.52p)

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

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

A Statement of Comprehensive Income is not required as the Company does not have any other comprehensive income and the net return after taxation is both the profit and total comprehensive income for the year.

The accompanying notes on pages 42 to 51 are an integral part of the Financial Statements.

Balance Sheet

As at 31 August

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		805,347		819,646
Current assets					
Debtors	10	1,322		1,508	
Cash and cash equivalents	16	118,742		40,303	
			120,064		41,811
Creditors					
Amounts falling due within one year	11	(1,602)		(1,711)	
Bank loans falling due within one year	11	–		(55,698)	
			(1,602)		(57,409)
Net current assets/(liabilities)			118,462		(15,598)
Total assets less current liabilities			923,809		804,048
Creditors					
Amounts falling due after more than one year	12		(151,420)		(71,943)
Net assets			772,389		732,105
Capital and reserves					
Share capital	13		4,621		4,621
Share premium account	14		190,939		190,939
Capital redemption reserve	14		203		203
Capital reserve	14		569,059		531,587
Revenue reserve	14		7,567		4,755
Equity shareholders' funds			772,389		732,105
Net asset value per ordinary share*			840.8p		792.1p

The Financial Statements of The Baillie Gifford Japan Trust PLC (Company registration number SC075954) on pages 38 to 51 were approved and authorised for issue by the Board and were signed on 6 October 2020.

J Keith R Falconer
Chairman

The accompanying notes on pages 42 to 51 are an integral part of the Financial Statements.

* See Glossary of Terms and Alternative Performance Measures on pages 59 and 60.

Statement of Changes in Equity

For the year ended 31 August 2020

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 September 2019		4,621	190,939	203	531,587	4,755	732,105
Shares bought back	13/14	–	–	–	(3,429)	–	(3,429)
Net return on ordinary activities after taxation	14	–	–	–	40,901	6,047	46,948
Dividends paid in the year	8	–	–	–	–	(3,235)	(3,235)
Shareholders' funds at 31 August 2020		4,621	190,939	203	569,059	7,567	772,389

For the year ended 31 August 2019

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 September 2018		4,523	175,455	203	575,448	475	756,104
Shares issued	13/14	98	15,484	–	–	–	15,582
Net return on ordinary activities after taxation	14	–	–	–	(43,789)	4,755	(39,034)
Dividends paid in the year	8	–	–	–	(72)	(475)	(547)
Shareholders' funds at 31 August 2019		4,621	190,939	203	531,587	4,755	732,105

The accompanying notes on pages 42 to 51 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 August

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation		48,480		(37,683)	
Net (gains)/losses on investments	9	(34,676)		34,974	
Currency (gains)/losses		(6,225)		8,815	
Finance costs of borrowings		2,788		2,589	
Overseas withholding tax		(1,565)		(1,311)	
Changes in debtors and creditors		326		(480)	
Cash from operations			9,128		6,904
Interest paid			(3,004)		(2,527)
Net cash inflow from operating activities			6,124		4,377
Cash flows from investing activities					
Acquisitions of investments		(122,053)		(110,202)	
Disposals of investments		171,028		98,965	
Exchange differences on settlement of investment transactions		(564)		506	
Net cash inflow/(outflow) from investing activities			48,411		(10,731)
Cash flows from financing activities					
Shares (bought back)/issued	13	(3,429)		15,582	
Equity dividends paid	8	(3,235)		(547)	
Bank loans drawn down		87,288		–	
Bank loans repaid		(51,724)		–	
Net cash inflow from financing activities			28,900		15,035
Increase in cash and cash equivalents					
Exchange movements			(4,996)		3,834
Cash and cash equivalents at start of period			40,303		27,788
Cash and cash equivalents at end of period*			118,742		40,303

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

The accompanying notes on pages 42 to 51 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 2020 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

(a) Basis of Accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments and 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 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will be retained. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 outbreak including through the performance of stress testing using a variety of parameters which have the potential to impact the Company's share price and net asset value. The Directors do not believe the Company's going concern status is affected. In addition, the Company is subject to an annual continuation vote which in previous years has been passed with a significant majority. The Directors have no reason to believe that the vote will not continue to be in favour based on their assessment of the Company's performance and the views collated from shareholders. For these reasons the Directors have prepared the financial statements on a going concern basis. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Depositary and Custodian, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company. Accordingly, the Financial Statements have been prepared on a going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters including the impact of the coronavirus outbreak set out in the Viability Statement on page 9 which assesses the prospects of the Company over a period of five years, 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.

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 and updated in October 2019 with consequential amendments. In order to better reflect the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented.

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

The Directors consider the Company's functional currency to be sterling, see consideration in accounting policy (j), as the Company's shareholders are predominantly based in the UK, the Company pays its dividends and expenses in sterling and the Company and its investment manager, who are subject to the UK's regulatory environment are also UK based.

(b) Investments

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

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

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

(c) Cash and Cash Equivalents

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

(d) Income

- (i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.
- (ii) Special dividends are treated as repayments of capital or income depending on the facts of each particular case.
- (iii) Interest from fixed interest securities is recognised on an effective yield basis (none were held in the period).
- (iv) Overseas dividends include withholding tax deducted at source.
- (v) Interest receivable on bank deposits is recognised on an accruals basis.
- (vi) If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital.

(e) Expenses

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

(f) Finance Costs

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

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

(g) 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. The Directors believe that there is one key judgement, being the functional currency of the Company. Although the Company invests in yen denominated investments, it has been determined that the functional currency is sterling as the entity is listed on a sterling stock exchange in the UK, and its share capital is denominated, and its expenses and dividends are paid, in sterling.

2 Income

	2020 £'000	2019 £'000
Income from investments		
Overseas dividends	15,337	13,498
Total income	15,337	13,498
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	15,337	13,498
Total income	15,337	13,498

3 Investment Management Fee – all charged to revenue

	2020 £'000	2019 £'000
Investment management fee	4,380	4,149

Details of the Investment Management Agreement are disclosed on page 21. The annual management fee is 0.75% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets, calculated and payable quarterly.

4 Other Administrative Expenses – all charged to revenue

	2020 £'000	2019 £'000
General administrative expenses	412	483
Directors' fees (see Directors' Remuneration Report on page 30)	148	150
Auditor's remuneration – statutory audit of Company's annual Financial Statements	30	21
	590	654

There were no fees paid to the Auditor during the year in respect of non-audit services (2019 – nil).

5 Finance Costs of Borrowings

	2020 £'000	2019 £'000
Interest on bank loans	2,788	2,589

The bank loan interest disclosed includes £191,000 (2019 – £97,000) paid in respect of yen deposits held at the custodian bank.

6 Tax on Ordinary Activities

	2020 £'000	2019 £'000
Analysis of charge in year		
Overseas taxation	1,532	1,351
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% (2019 – 19%)		
The differences are explained below:		
Net return on ordinary activities before taxation	48,480	(37,683)
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019 – 19%)	9,211	(7,159)
Effects of:		
Capital returns not taxable	(7,771)	8,320
Income not taxable	(2,914)	(2,565)
Overseas withholding tax	1,532	1,351
Taxable losses in year not utilised	1,474	1,404
Tax charge for the year	1,532	1,351

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

Factors that may affect future tax charges

At 31 August 2020 the Company had a potential deferred tax asset of £10,494,000 (2019 – £8,078,000) in respect of carried forward tax losses and disallowed interest which are potentially available for offset against future taxable profits. A deferred tax asset has not been recognised as it is considered unlikely that the Company will generate sufficient taxable profits in the future (the Company is not liable to corporation tax on its capital gains). The potential deferred tax asset has been calculated using a corporation tax rate of 19% (2019 – 17%). In the March 2020 budget, it was announced that the rate of corporation tax would remain at 19% and not reduce to 17% from 1 April 2020.

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

	2020 Revenue	2020 Capital	2020 Total	2019 Revenue	2019 Capital	2019 Total
Net return on ordinary activities after taxation	6.56p	44.38p	50.94p	5.18p	(47.70p)	(42.52p)

Revenue return per ordinary share is based on the net revenue return after taxation of £6,047,000 (2019 – £4,755,000), and on 92,154,367 (2019 – 91,802,048) 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 £40,901,000 (2019 – (£43,789,000)), and on 92,154,367 (2019 – 91,802,048) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

There are no dilutive or potentially dilutive shares in issue.

8 Ordinary Dividends

Set out below is the dividend proposed in respect of the financial year, which is the basis on which the requirements of section 1159 of the Corporation Tax Act 2010 are considered. The revenue available for distribution out of current year profits by way of dividend for the year is £6,047,000.

	2020	2019	2020 £'000	2019 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 13 December 2019)	3.50p	0.60p	3,235	547
Dividends paid and payable in respect of the year:				
Current year's proposed final dividend (payable 11 December 2020)	4.50p	3.50p	4,134	3,235

9 Fixed Assets – Investments

	2020 £'000	2019 £'000
Financial assets at fair value through profit or loss		
Listed overseas – equity investments	805,347	819,646
Total investments in financial assets at fair value through profit or loss	805,347	819,646

	Listed equities £'000
Cost of investments held at 1 September 2019	515,410
Investment holding gains at 1 September 2019	304,236
Fair value of investments held at 1 September 2019	819,646
Movements in year:	
Purchases at cost	122,128
Sales – proceeds	(171,103)
– gains on sales	114,567
Changes in investment holding gains	(79,891)
Fair value of investments held at 31 August 2020	805,347
Cost of investments held at 31 August 2020	581,002
Investment holding gains at 31 August 2020	224,345
Fair value of investments held at 31 August 2020	805,347

The purchases and sales proceeds figures above include transaction costs of £61,000 (2019 – £56,000) and £74,000 (2019 – £55,000) respectively.

	2020 £'000	2019 £'000
Net gains on investments designated at fair value through profit or loss on initial recognition		
Gains on sales	114,567	54,444
Changes in investment holding gains	(79,891)	(89,418)
	34,676	(34,974)

Of the gains on sales during the year of £114,567,000 (2019 – £54,444,000), a net gain of £103,255,000 (2019 – net gain of £54,933,000) was included in the investment holding gains at the previous year end.

10 Debtors

	2020 £'000	2019 £'000
Income accrued and prepaid expenses	1,237	1,498
Sales for subsequent settlement	74	–
Other debtors	11	10
	1,322	1,508

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

11 Creditors – amounts falling due within one year

	2020 £'000	2019 £'000
Purchases for subsequent settlement	75	–
Bank loans (see note 12)	–	55,698
Other creditors and accruals	1,527	1,711
	1,602	57,409

None of the above creditors are financial liabilities designated at fair value through profit or loss. Included in other creditors is £1,137,000, (2019 – £1,090,000) in respect of the investment management fee.

12 Creditors – amounts falling due after more than one year

	2020 £'000	2019 £'000
Bank loans	151,420	71,943

Borrowing facilities

	At 31 August 2020 Drawings	At 31 August 2019 Drawings
7 year fixed rate loan facility with ING Bank N.V. for ¥7,200 million, expired August 2020	–	¥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%
7 year fixed rate loan facility with ING Bank N.V. for ¥9,300 million, expiring November 2024	¥9,300 million at 1.585%	¥9,300 million at 1.585%
5 year revolving loan facility with Scotiabank Europe plc for ¥3,000 million, expired August 2020	–	–
3 year fixed rate loan facility with SMBC, Europe Limited for ¥12,200 million, expiring August 2023	¥12,200 million at 0.925%	–

The main covenants relating to the above loans are:

- (i) Total borrowings shall not exceed 30% of the Company's net asset value; and
- (ii) The Company's minimum net asset value shall be ¥48,545,000,000.

There were no breaches of loan covenants during the year.

13 Called-up Share Capital

	2020 Number	2020 £'000	2019 Number	2019 £'000
Authorised ordinary shares of 5p each	91,858,209	4,593	92,424,925	4,621
Treasury shares of 5p each	566,716	28	–	–
Total	92,424,925	4,621	92,424,925	4,621

The Company's authority permits it to hold shares bought back in 'treasury'. Such treasury shares may be subsequently either sold for cash (at, or at a premium to, net asset value per ordinary share) or cancelled. In the year to 31 August 2020, 566,716 shares with a nominal value of £28,000 were bought back at a total cost of £3,429,000 and held in treasury (2019 – no shares were bought back). At 31 August 2020 the Company had authority to buy back 13,287,780 ordinary shares.

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

In the year to 31 August 2020, the Company issued no shares (2019 – 1,965,000 shares were issued at a premium to net asset value raising proceeds of £15,582,000). At 31 August 2020 the Company had authority to issue or sell from treasury 30,805,227 ordinary shares.

14 Capital and Reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 September 2019	4,621	190,939	203	531,587	4,755	732,105
Shares bought back	–	–	–	(3,429)	–	(3,429)
Gains on investments	–	–	–	114,567	–	114,567
Changes in investment holding gains	–	–	–	(79,891)	–	(79,891)
Exchange differences on bank loans	–	–	–	11,785	–	11,785
Exchange differences on settlement of investment transactions	–	–	–	(564)	–	(564)
Other exchange differences	–	–	–	(4,996)	–	(4,996)
Revenue return on ordinary activities after taxation	–	–	–	–	6,047	6,047
Dividends paid in the year	–	–	–	–	(3,235)	(3,235)
At 31 August 2020	4,621	190,939	203	569,059	7,567	772,389

The capital reserve includes investment holding gains of £224,345,000 (2019 – £304,236,000) as disclosed in note 9. The revenue reserve and the capital reserve (to the extent it constitutes realised profits) are distributable.

15 Shareholders' Funds per Ordinary Share

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

	2020	2019
Shareholders' funds	£772,389,000	£732,105,000
Number of ordinary shares in issue at the year end*	91,858,209	92,424,925
Shareholders' funds per ordinary share	840.8p	792.1p

* Excluding shares held in treasury at 31 August 2020. No shares were held in treasury at 31 August 2019.

Deducting borrowings at fair value would have the effect of reducing net asset value per ordinary share from 840.8p to 839.8p. Taking the market price of the ordinary shares at 31 August 2020 of 817.0p, this would have given a discount to net asset value of 2.7% as against a discount of 2.8% on the basis of deducting borrowings at par. At 31 August 2019 the net asset value per share after deducting borrowings at fair value was 789.3p. Taking the market price of the ordinary shares at 31 August 2019 of 791.0p, this would have given a premium to net asset value of 0.2% as against a discount of 0.1% on the basis of deducting borrowings at par.

16 Analysis of Change in Net Debt

	At 1 September 2019 £'000	Cash flows £'000	Other non-cash charges £'000	Exchange movement £'000	At 31 August 2020 £'000
Cash at bank and in hand	40,303	83,435	–	(4,996)	118,742
Loans due in less than one year	(55,698)	51,724	–	3,974	–
Loans due in more than one year	(71,943)	(87,288)	–	7,811	(151,420)
	(87,338)	47,871	–	6,789	(32,678)

17 Contingent Liabilities, Guarantees and Financial Commitments

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

18 Related Party Transactions

The Directors' fees for the year and Directors' shareholdings at 31 August 2020 are detailed in the Directors' Remuneration Report on pages 30 and 31 respectively. No Director has a contract of service with the Company.

The management fee due to Baillie Gifford and Co Limited is set out in note 3 on page 43 and the amount accrued at 31 August 2020 is set out in note 11 on page 46. Details of the Investment Management Agreement are set out on page 21.

19 Financial Instruments

The Company invests in medium to smaller sized Japanese companies and makes other investments so as to achieve its investment objective of long term capital growth. The Company borrows money when the Board and Managers have sufficient conviction that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests and could result in a reduction in the Company's net assets.

These risks are categorised here as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposures to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise the short term volatility.

The risk management policies and procedures outlined in this note have not changed substantially from the previous accounting period.

Market Risk

The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The Board of Directors reviews and agrees policies for managing these risks and the Company's Investment Manager assesses the exposure to market risk when making individual investment decisions as well as monitoring the overall level of market risk across the investment portfolio on an ongoing basis. Details of the Company's investment portfolio are shown on pages 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.

19 Financial Instruments (continued)

(i) Currency Risk (continued)

Exposure to currency risk through asset allocation, which is calculated by reference to the currency in which the asset or liability is quoted, is shown below.

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

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

At 31 August 2019	Investments £'000	Cash and cash equivalents £'000	Bank loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Total exposure to currency risk (yen)	819,646	40,316	(71,943)	(54,816)	733,203
Sterling	–	(13)	–	(1,085)	(1,098)
	819,646	40,303	(71,943)	(55,901)	732,105

* Includes net non-monetary assets of £96,000.

Currency Risk Sensitivity

At 31 August 2020, 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 £77,373,000 (2019 – £73,320,000). A 10% weakening of sterling against the yen, with all other variables held constant, total net assets and net return on ordinary activities after taxation would have had a similar but opposite effect on the Financial Statement amounts.

(ii) Interest Rate Risk

Interest rate movements may affect the level of income receivable on cash deposits. They may also impact upon the market value of the Company's investments as the effect of interest rate movements upon the earnings of a company may have a significant impact upon the valuation of that company's equity.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and when entering borrowing agreements.

The Board reviews on a regular basis the amount of investments in cash and the income receivable on cash deposits.

The Company finances part of its activities through borrowings at approved levels. The amount of such borrowings and the approved levels are monitored and reviewed regularly by the Board.

The interest rate risk profile of the Company's interest bearing financial assets and liabilities at 31 August 2020 is shown below.

Financial Assets

	2020 Fair value £'000	2020 Weighted average interest rate	2020 Weighted average period until maturity *	2019 Fair value £'000	2019 Weighted average interest rate	2019 Weighted average period until maturity *
Cash:						
Japanese yen	118,681	(0.35%)	n/a	40,316	(0.35%)	n/a
Sterling	61	<0.1%	n/a	(13)	<0.1%	n/a
	118,742			40,303		

* Based on expected maturity date.

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

19 Financial Instruments (continued)

(ii) Interest Rate Risk (continued)

Financial Liabilities

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

	2020 Book value £'000	2020 Weighted average interest rate	2020 Weighted average period until maturity	2019 Book value £'000	2019 Weighted average interest rate	2019 Weighted average period until maturity
Bank loans:						
Yen denominated	151,420	1.2%	42 months	127,641	2.0%	41 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 2020 by £1,187,000 (2019 – £460,000). This is mainly due to the Company's exposure to interest rates on its cash balances. The Company's loans have fixed rates of interest and are therefore not considered. A decrease of 100 basis points would have had an equal but opposite effect. The Company does not hold bonds.

(iii) Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets. The Company's exposure to changes in market prices relates to the fixed asset investments as disclosed in note 9.

The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies. The portfolio does not seek to reproduce the index, investments are selected based upon the merit of individual companies and therefore performance may well diverge from the comparative index.

Other Price Risk Sensitivity

A full list of the Company's investments is shown on pages 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.

104% (2019 – 112.0%) of the Company's net assets are invested in Japanese quoted equities. A 20% (2019 – 10%) increase in quoted equity valuations at 31 August 2020 would have increased total net assets and net return on ordinary activities after taxation by £161,070,000 (2019 – £81,965,000). A decrease of 20% (2019 – 10%) would have had an equal but opposite effect.

Liquidity Risk

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

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

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

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

	2020 £'000	2019 £'000
In less than one year	–	55,698
In more than one year, but not more than five years	151,420	–
In more than five years	–	71,943
	151,420	127,641

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 Depository is liable for the loss of financial instruments held in custody. The Depository will ensure that any delegate segregates the assets of the Company. The Depository has delegated the custody function to Bank of New York Mellon (International) Limited. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Investment Manager monitors the Company's risk by reviewing the custodian's internal control reports and reporting its findings to the Board;

19 Financial Instruments (continued)

Credit Risk (continued)

- investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed;
- the creditworthiness of the counterparty to transactions involving derivatives, structured notes and other arrangements, wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, are subject to rigorous assessment by the Investment Manager; and
- cash is only held at banks that are regularly reviewed by the Investment Manager.

Credit Risk Exposure

The exposure to credit risk at 31 August was:

	2020 £'000	2019 £'000
Cash and cash equivalents	118,742	40,303
Debtors	1,125	1,403
	119,867	41,706

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.

	2020 Book value £'000	2020 Fair* value £'000	2019 Book value £'000	2019 Fair* value £'000
Yen bank loans	151,420	152,387	127,641	130,192

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

Capital Management

The Company does not have any externally imposed capital requirements other than the loan covenants detailed in note 12 on page 46. The capital of the Company is the ordinary share capital as detailed in note 13. It is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 7, and shares may be repurchased or issued as explained on pages 22 and 23.

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 42.

The financial assets designated as valued at fair value through profit or loss are all categorised as Level 1 in the above hierarchy (2019 – same). None of the financial liabilities are designated at fair value through profit or loss in the Financial Statements.

20 Subsequent Events

Share Price and Net Asset Value Movements

Subsequent to the year end, investment valuations have continued to increase through underlying investment performance. This has resulted in an increase in net asset value (with borrowings at fair value) of 10.8% to 930.1p as at 5 October 2020. As at 5 October 2020 the Company's share price was 899.0p, 10.0% higher than as at 31 August 2020.

As the above movements relate to post year end activity these will be reported in the Annual report and Financial Statements for the year ended 31 August 2021.

Notice of Annual General Meeting

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

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

At the same time, the Board is conscious of the legal requirement for Baillie Gifford Japan to hold its AGM before the end of February 2021. Given the current uncertainty around when public health concerns will have abated, the Board has for the time being decided to aim to follow the Company's corporate timetable and, accordingly, the Company's AGM is being convened to take place at 12.30pm on Thursday 3 December 2020 at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN most likely without access for shareholders. The Board will, however, continue to monitor developments and any changes will be advised to shareholders and details will be updated on the Company's website.

In the meantime, the Board encourages all shareholders to submit proxy voting forms as soon as possible and, in any event, by no later than 12.30pm on 1 December 2020.

We would encourage shareholders to monitor the Company's website at www.japantrustplc.co.uk. Should shareholders have questions for the Board or the Managers or any queries as to how to vote, they are welcome as always to submit them by email to trustenquiries@bailliegifford.com or call 0800 917 2112.

Baillie Gifford may record your call.

Notice is hereby given that the thirty ninth 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, 3 December 2020 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 2020 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 2020.
4. To declare a final dividend of 4.50p per ordinary share.
5. To re-elect Mr JKR Falconer as a Director.
6. To re-elect Mrs S Brown as a Director.
7. To re-elect Mr DP Kidd as a Director.
8. To re-elect Mr MH Paling as a Director.
9. To re-elect Ms JB Pitman as a Director.
10. To re-appoint KPMG LLP as Independent Auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.

11. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
12. 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 2021.
13. 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 £459,291.04, such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass Resolutions 14 and 15 as Special Resolutions.

14. That, subject to the passing of Resolution 13 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 12 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 £459,291.04, being approximately 10% of the nominal value of the issued share capital of the Company, as at 6 October 2020.

15. 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 13,769,545, 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 2021, 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
27 October 2020

Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the financial statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or 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.

Shareholder Information

5. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 2 days (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
11. The members of the Company may require the Company to publish, on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's Financial Statements, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN.
12. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at www.japantrustplc.co.uk.
13. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
15. As at 6 October 2020 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 91,858,209 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 6 October 2020 were 91,858,209 votes.
16. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
17. No Director has a contract of service with the Company.

Further Shareholder Information

Baillie Gifford Japan is an investment trust. Investment trusts offer investors the following:

- participation in a diversified portfolio of shares;
- constant supervision by experienced professional managers; and
- the Company is free from capital gains tax on capital profits realised within its portfolio, although investors are still liable for capital gains tax on profits when selling their investment.

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker or by asking a professional adviser to do so. If you are interested in investing directly in Baillie Gifford Japan, you can do so online. There are a number of companies offering real time online dealing services. Find out more by visiting the investment trust pages at www.bailliegifford.com.

Sources of Further Information on the Company

The price of shares is quoted daily in the Financial Times and can also be found on the Company's page of the Managers' website at 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. Dividends will be paid by way of a single final payment shortly after the Company's AGM.

Capital Gains Tax

The cost for capital gains taxation purposes to shareholders who subscribed for ordinary shares (with warrants attached) is apportioned between the ordinary shares and the warrants on the following basis:

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

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

Ordinary shares	120p
Warrants	26p

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

Share Register Enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0370 889 3221.

This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

- hear the latest share price;
- confirm your current share holding balance; and
- order Change of Address and Stock Transfer forms.

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

Dividend Reinvestment Plan

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

Electronic Proxy Voting

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

	2020 Number of shares held	2020 %	2019 Number of shares held	2019 %
Institutions	18,428,613	20.1	16,405,662	17.8
Intermediaries/ Retail Savings Platforms	71,206,396	77.5	70,917,417	76.7
Individuals	2,091,868	2.3	4,005,877	4.3
Baillie Gifford Share Plans/ISA	—	—	586,591	0.6
Marketmakers	131,332	0.1	509,378	0.6
	91,858,209	100.0	92,424,925	100.0

Data Protection

The Company is committed to ensuring the confidentiality and security of any personal data provided to it. Further details on how personal data is held and processed on behalf of the Company can be found in the privacy policy available on the Company's website www.japantrustplc.co.uk.

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

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

Further Information

If you would like more information on any of the plans described, please contact the Baillie Gifford Client Relations Team. (See contact details on page 57).

Risks

Past performance is not a guide to future performance.

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

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

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

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

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

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

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

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

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

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

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

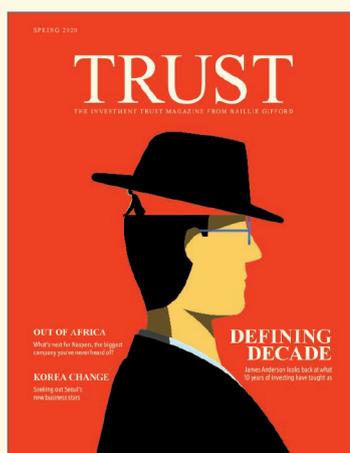
You should note that tax rates and reliefs may change at any time and their value depends on your circumstances. The favourable tax treatment of ISAs may change.

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

Further details of the risks associated with investing in the Company can be found at 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

Trust Magazine

Trust is the Baillie Gifford investment trust magazine which is published twice a year. It provides an insight to our investment approach by including interviews with our fund managers, as well as containing investment trust news, investment features and articles about the trusts managed by Baillie Gifford, including Baillie Gifford Japan. *Trust* plays an important role in helping to explain our products so that readers can really understand them. For a copy of *Trust*, please contact the Baillie Gifford Client Relations Team (see contact details opposite).

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

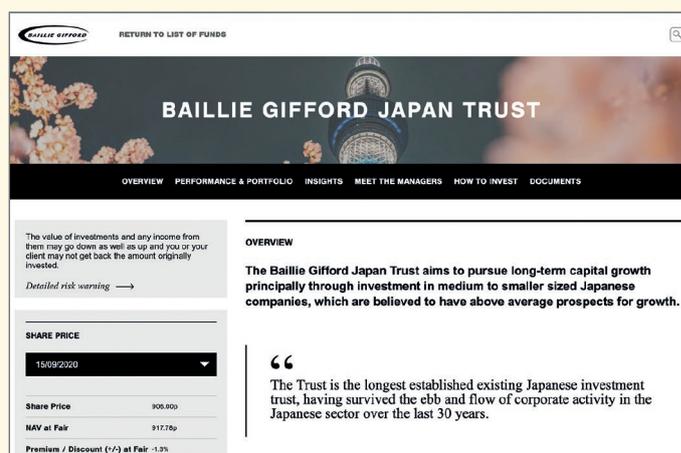
Baillie Gifford Japan on the Web

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.



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

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
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

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 reporting period (year ended 31 March 2020) are available at www.bailliegifford.com.

The Company's maximum and actual leverage (see Glossary of Terms and Alternative Measures on page 60) levels at 31 August 2020 are shown below:

Leverage

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.20:1	1.20:1

Automatic Exchange of Information

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

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. As an affected company, The Baillie Gifford Japan Trust PLC must provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

All new shareholders, excluding those whose shares are held in CREST, who come on to the share register will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders <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 and Alternative Performance Measures (APM)

Total Assets

The total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

Net Asset Value

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

Net Asset Value (Borrowings at Par Value)

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

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

Borrowings are valued at an estimate of their market worth. The Company's yen denominated loans are fair valued with reference to Japanese government bonds of comparable yield and maturity. The value of the borrowings on this basis is set out in note 15 on page 47. A reconciliation from Net Asset Value (with borrowings at par value) to Net Asset Value per ordinary share (with borrowings at fair value) is provided below.

	31 August 2020	31 August 2019
Net Asset Value per ordinary share (borrowings at par value)	840.8p	792.1p
Shareholders' funds (borrowings at par value)	£772,389,000	£732,105,000
Add: par value of borrowings	£151,420,000	£127,641,000
Less: fair value of borrowings	(£152,387,000)	(£130,192,000)
Shareholders' funds (borrowings at fair value)	£771,422,000	£729,554,000
Shares in issue at year end	91,858,209	92,424,925
Net Asset Value per ordinary share (borrowings at fair value)	839.8p	789.3p

Net Current Assets

Net current assets comprise current assets less current liabilities excluding borrowings.

(Discount)/Premium (APM)

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

		31 August 2020	31 August 2019
Net asset value per share	(a)	839.8p	789.3p
Share price	(b)	817.0p	791.0p
(Discount)/premium	((b) - (a)) ÷ (a)	(2.7%)	0.2%

Total Return (APM)

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

		2020 NAV (fair)	2020 NAV (par)	2020 Share Price	2019 NAV (fair)	2019 NAV (par)	2019 Share Price
Closing NAV per share/share price	(a)	839.8p	840.8p	817.0p	789.3p	792.1p	791.0p
Dividend adjustment factor*	(b)	1.0043	1.0042	1.0044	1.0008	1.0008	1.0008
Adjusted closing NAV per share/share price	(c) = (a) x (b)	843.4p	844.4p	820.6p	789.9p	792.7p	791.6p
Opening NAV per share/share price	(d)	789.3p	792.1p	791.0p	834.0p	835.8p	855.0p
Total return	((c) ÷ (d)) - 1	6.8%	6.6%	3.7%	(5.3%)	(5.2%)	(7.4%)

* The dividend adjustment factor is calculated on the assumption that the dividend of 3.50p (2019 – 0.60p) paid by the Company during the year was invested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

Ongoing Charges (APM)

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

		2020 £'000	2019 £'000
Investment management fee		4,380	4,149
Other administrative expenses		590	654
Total expenses	(a)	4,970	4,803
Average net asset value (borrowings at fair value)	(b)	734,140	686,294
Ongoing charges	(a) ÷ (b) expressed as a percentage	0.68%	0.70%

Gearing (APM)

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

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

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

	2020		2019	
	Gearing * £'000	Potential Gearing ** £'000	Gearing * £'000	Potential Gearing ** £'000
Borrowings (a)	151,420	151,420	127,641	127,641
Cash and cash equivalents (b)	118,742	–	40,303	–
Shareholders' funds (c)	772,389	772,389	732,105	732,105
	4.2%	19.6%	11.9%	17.4%

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

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

Leverage (APM)

For the purposes of the 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.

		2020		2019	
		Gross method £'000	Commitment method £'000	Gross method £'000	Commitment method £'000
Borrowings		151,420	151,420	127,641	127,641
Sterling cash		–	61	–	(13)
	(a)	151,420	151,359	127,641	127,654
Shareholders' funds	(b)	772,389	772,389	732,105	732,105
Leverage	((a) + (b)) ÷ (b) expressed as a ratio	1.20:1	1.20:1	1.17:1	1.17:1

Active Share (APM)

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

Directors

Chairman:
J Keith R Falconer

Sharon Brown
David P Kidd
Martin H Paling
Joanna Pitman

Alternative Investment Fund Managers, Secretaries and Registered Office

Baillie Gifford & Co Limited
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www.bailliegifford.com

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London
EC2V 7QP

Independent Auditor

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Saltire Court
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EH1 2EG

Depository

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(International) Limited
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London
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Company Details

www.japantrustplc.co.uk
Company Registration
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ISIN GB0000485838
Sedol 0048583
Ticker BGFD

Legal Entity Identifier:
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Further Information

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