

# THE BAILLIE GIFFORD JAPAN TRUST PLC

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Interim Financial Report  
29 February 2020





## Policy and Objective

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

## Benchmark

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

## Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, investment strategy risk, discount risk, regulatory risk, custody and depositary risk, smaller company risk, operational risk, leverage risk and political risk. An explanation of these risks and how they are managed is set out on page 8 of the Company's Annual Report and Financial Statements for the year to 31 August 2019 and is available on the Company's website: [www.japantrustplc.co.uk](http://www.japantrustplc.co.uk). The principal risks and uncertainties have not changed since the date of the annual report with the exception of the current unprecedented situation surrounding the COVID-19 pandemic. The Board and Investment Manager are working closely to monitor the situation as it develops and will continue to do so. Further detail on the Company's risks can be found on pages 16 and 17.

## Responsibility Statement

We confirm that to the best of our knowledge:

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

On behalf of the Board  
J Keith R Falconer  
Chairman  
3 April 2020

## Summary of Unaudited Results\*

	29 February 2020	31 August 2019	% change
Shareholders' funds	£673.3m	£732.1m	
Net asset value per share (after deducting borrowings at fair value)*	728.1p	789.3p	(7.8)
Net asset value per share (after deducting borrowings at par value)	729.9p	792.1p	(7.9)
Share price	675.0p	791.0p	(14.7)
TOPIX total return (in sterling terms)†			(5.1)
(Discount)/premium (borrowings at fair value)*	(7.3%)	0.2%	
(Discount)/premium (borrowings at par value)	(7.5%)	(0.1%)	
Active share*	84%	84%	

	Six months to 29 February 2020	Six months to 28 February 2019
<b>Total returns (%)†</b>		
Net asset value per share (after deducting borrowings at fair value)	(7.4)	(16.0)
Net asset value per share (after deducting borrowings at par value)	(7.5)	(15.9)
Share price	(14.3)	(13.5)
TOPIX total return (in sterling terms)	(5.1)	(8.9)

	Six months to 29 February 2020		Year to 31 August 2019	
<b>Period's high and low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
Net asset value per share (after deducting borrowings at fair value)*	859.7p	728.1p	842.3p	628.8p
Net asset value per share (after deducting borrowings at par value)	862.4p	729.9p	845.0p	630.7p
Share price	848.0p	675.0p	866.0p	663.0p
Premium/(discount) (borrowings at fair value)*	1.5%	(9.0%)	8.3%	(0.9%)
Premium/(discount) (borrowings at par value)	1.8%	(8.8%)	7.9%	(1.2%)

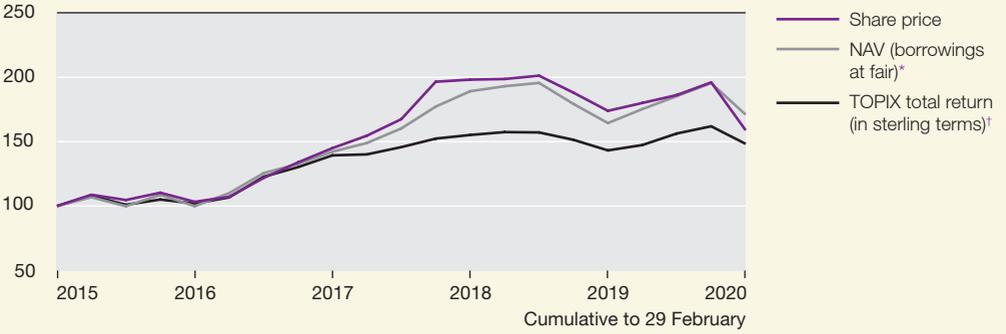
\* See Glossary of Terms and Alternative Performance Measures on pages 19 to 21 for definition of terms.

† Source: Baillie Gifford/Refinitiv and relevant underlying data providers. See disclaimer on page 18.

Past performance is not a guide to future performance.

## Five Year Performance†

(figures rebased to 100 at 28 February 2015)



\* See Glossary of Terms and Alternative Performance Measures on pages 19 to 21 for definition of terms.

† Source: Baillie Gifford/Refinitiv and relevant underlying data providers. See disclaimer on page 18.

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## Interim Management Report

During the six months to the end of February 2020 the NAV of your Company, after deducting borrowings at fair value, decreased by 7.8% to 728.1p whilst the share price fell by 14.7% as the shares moved from a premium to a discount to NAV. The TOPIX fell by 5.1% during the same period.

Over the six month period there is little to report from individual stock contribution on either the positive or the negative side. Normally we would comment on stocks that contributed at least 1% to the performance either positively or negatively but in this period there were no such stocks. In fact, only 3 stocks made a difference of more than 0.4% to the portfolio so we will comment on those.

The two largest detractors to performance were iStyle (-0.5%) and Mixi (-0.4%). iStyle, the cosmetics website, has been rolling out some physical stores in Asia; but unfortunately footfall was significantly impacted by the coronavirus outbreak. However, we remain confident in the company's long-term value proposition. In the last annual report we noted that Mixi, an entrepreneurial smartphone gaming company, traded at such an anomalous level that two-thirds of its market capitalisation was covered by the net cash on the balance sheet. Of course, in the short-term things can become more anomalous. At the time of writing the entire market capitalisation is covered by the net cash on the balance sheet, the dividend yield is a little over 7.5% and the company has revised up its full-year forecast. Given that we retain conviction in both of these companies' long-term prospects we have taken advantage of the share-price weakness to add to the holdings.

The largest positive contributor to performance was M3 (+0.5%). This medical website company has been a long-standing feature of the portfolio and the company's operational performance has remained very satisfactory; and the share price strong. SoftBank, where we discussed the investment case in depth in the last annual report continued to generate headlines but was the second-strongest positive contributor to performance in share-price terms over the period. Gearing made a small positive contribution to performance, reflecting reductions made prior to the recent set-back.

Over the period we bought three new holdings and sold four holdings. Turnover remained low in line with our long-term time horizon. Two of the new holdings, Bengo4.com and Raksul, are founder-led entrepreneurial businesses. Both businesses are targeting large addressable markets and growing rapidly. Bengo4.com is an online platform connecting lawyers with people seeking legal advice. It also provides cloud-based electronic contracts for companies from various sectors. Raksul operates online services offering printing, on-demand logistics and advertising. It has a unique business model whereby it secures unused capacity in each of its target industries and offers it to clients at competitive rates. The third new holding, Denso, is a Toyota group company with a focus on electronics. We believe that it is well-placed to benefit from the general trend of increased electronics in cars, as well as the specific trends toward hybrid or pure electric propulsion and towards more autonomous driving.

## Interim Management Report (continued)

Two of the sales, Invincible Investment Corporation (a real-estate investment company with a focus on hotels) and H.I.S. (a travel operator) were sold in late January and early February as it became clear that the novel coronavirus was likely to have a deep impact on the travel and hospitality industries. The scale of the current challenge is unprecedented in the modern era and we felt that it was best to sell early and move on to ideas where we had greater conviction. The other two sales, Advantest and Shimadzu, are both longstanding holdings that have delivered strong absolute and relative share price returns over the past 5 years but where we no longer see sufficient upside potential relative to the new ideas.

The Company ended the interim period with modest net gearing of 8.9%. This prudent starting position has given us the opportunity to buy more of businesses in which we have conviction during recent sharp falls as the market has been gripped by coronavirus fears. In the long-term what will be important is the profits that the businesses are able to generate over many years. Regardless of how bad the coronavirus impact is in the shorter-term our view is that your Company has a portfolio of solid growth companies with strong long-term prospects and attractive valuations.

See Glossary of Terms and Alternative Performance Measures on pages 19 to 21 for definition of terms. Total return information is sourced from Baillie Gifford/Refinitiv. See disclaimer on page 18. Past performance is not a guide to future performance.

# Historic Growth Sector Distribution and Recent Portfolio Activity

Portfolio Allocation %	29 February 2020	New buys	Complete sales
	<b>Secular Growth</b> 47.5%	Bengo4.com Raksul	H.I.S. Shimadzu
	<b>Growth Stalwarts</b> 7.9%		
	<b>Special Situations</b> 16.6%		
	<b>Cyclical Growth</b> 20.6%	Denso	Advantest Invincible Investment
	<b>Cash</b> 7.4%		

Past performance is not a guide to future performance.

## Equity Portfolio by Growth Category as at 29 February 2020

In line with our investment process, the portfolio is grouped into Growth Categories. A definition of these can be found in the Managers' Report on page 10 of the Annual Report and Financial Statements for the year ended 31 August 2019.

Secular Growth	%*	Growth Stalwarts	%*	Secular Growth	
Rakuten	3.5	Nitori	1.4		
SBI	2.9	Zenkoku Hosho	1.4		
GMO Internet	2.6	Park24	1.2		
Kubota	2.5	Makita	1.0		
Inpex	2.4	Mitsubishi UFJ Lease & Finance	0.7		
Systemex	2.3	Sawai Pharmaceutical	0.6		
Fanuc	2.3	Fukuoka Financial	0.6		
Misumi	2.1	Asics	0.5		
CyberAgent	2.1	Secom	0.5		
Yaskawa Electric	2.1	<b>Total</b>	<b>7.9</b>		
SMC	1.9	Special Situations	%*		
Nidec	1.6	SoftBank	6.9		
Sato	1.6	Sony	2.2		
M3	1.6	Colopl	2.2		
Recruit Holdings	1.2	Mixi	2.0		
MonotaRO	1.1	Tokyo Tatemono	1.6		
Toyota Tsusho	1.1	JAFCO	0.9		
Topcon	1.0	Gree	0.8		
Subaru	1.0	<b>Total</b>	<b>16.6</b>		
Pan Pacific International Holdings	1.0	Cyclical Growth	%*		
Digital Garage	1.0	Itochu	2.5		
Infomart	0.9	Sumitomo Mitsui Trust	2.1		
Raksul	0.9	Denso	2.0		
Keyence	0.7	Mazda Motor	1.8		
Peptidream	0.7	Mitsubishi Electric	1.7		
Broadleaf	0.7	Sumitomo Metal Mining	1.6		
Demae-Can	0.5	Murata	1.5		
Lifull	0.5	Nifco	1.5		
Mercari	0.5	Disco	1.4		
ZOZO	0.5	DMG Mori	1.4		
Shimano	0.5	Outsourcing	1.3		
Bengo4.Com	0.4	Iida Group	0.9		
iStyle	0.4	Rohm	0.7		
Nippon Ceramic	0.4	Katitas	0.2		
Noritsu Koki	0.3	<b>Total</b>	<b>20.6</b>		
Rizap	0.3				
Healios K.K.	0.2				
Cyberdyne	0.2				
<b>Total</b>	<b>47.5</b>				

\* Percentage of total assets†.

† See Glossary of Terms and Alternative Performance Measures on pages 19 to 21.

## Twenty Largest Holdings at 29 February 2020

Name	Business	Value £'000	% of total assets*
SoftBank	Telecom operator and technology investor	54,789	6.9
Rakuten	Internet retail and financial services	27,948	3.5
SBI	Online financial services	22,977	2.9
GMO Internet	Internet conglomerate	20,333	2.6
Itochu	General trading firm	20,099	2.5
Kubota	Agricultural machinery	19,879	2.5
Inpex	Oil and gas producer	19,203	2.4
Sysmex	Medical testing equipment	18,370	2.3
Fanuc	Robotics manufacturer	17,921	2.3
Sony	Consumer electronics, films and finance	17,677	2.2
Colopl	Smartphone gaming and virtual reality (VR)	17,458	2.2
Misumi Group	Online distributor of precision machinery parts	16,724	2.1
Sumitomo Mitsui Trust	Japanese trust bank and investment manager	16,650	2.1
CyberAgent	Japanese internet advertising and content	16,514	2.1
Yaskawa Electric	Specialist factory automation	16,346	2.1
Mixi	Mobile gaming	15,871	2.0
Denso	Auto parts	15,581	2.0
SMC	Producer of factory automation equipment	15,443	1.9
Mazda Motor	Car manufacturer	14,483	1.8
Mitsubishi Electric	Develops, manufactures and markets electronic equipment	13,344	1.7
<b>Total</b>		<b>397,610</b>	<b>50.1</b>

\* See Glossary of Terms and Alternative Performance Measures on pages 19 to 21.

## Income Statement (unaudited)

	For the six months ended 29 February 2020			For the six months ended 28 February 2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on sales of investments	–	60,723	<b>60,723</b>	–	31,470	<b>31,470</b>
Movement in investment holding gains	–	(124,801)	<b>(124,801)</b>	–	(157,356)	<b>(157,356)</b>
Currency gains	–	6,637	<b>6,637</b>	–	2,173	<b>2,173</b>
Income from investments and interest receivable	7,511	–	<b>7,511</b>	6,096	–	<b>6,096</b>
Investment management fee	(2,128)	–	<b>(2,128)</b>	(2,035)	–	<b>(2,035)</b>
Other administrative expenses	(296)	–	<b>(296)</b>	(309)	–	<b>(309)</b>
<b>Net return before finance costs and taxation</b>	5,087	(57,441)	<b>(52,354)</b>	3,752	(123,713)	<b>(119,961)</b>
Finance costs of borrowings	(1,252)	–	<b>(1,252)</b>	(1,190)	–	<b>(1,190)</b>
<b>Net return on ordinary activities before taxation</b>	3,835	(57,441)	<b>(53,606)</b>	2,562	(123,713)	<b>(121,151)</b>
Tax on ordinary activities	(750)	–	<b>(750)</b>	(610)	–	<b>(610)</b>
<b>Net return on ordinary activities after taxation</b>	3,085	<b>(57,441)</b>	<b>(54,356)</b>	<b>1,952</b>	<b>(123,713)</b>	<b>(121,761)</b>
<b>Net return per ordinary share</b> (note 5)	<b>3.34p</b>	<b>(62.15p)</b>	<b>(58.81p)</b>	<b>2.14p</b>	<b>(135.32p)</b>	<b>(133.18p)</b>

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

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

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

## Balance Sheet (unaudited)

	At 29 February 2020 £'000	At 31 August 2019 £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss (note 6)	734,169	819,646
<b>Current assets</b>		
Debtors	2,163	1,508
Cash and cash equivalents	60,204	40,303
	62,367	41,811
<b>Creditors</b>		
Amounts falling due within one year	(3,498)	(1,711)
Bank loans falling due within one year	(52,259)	(55,698)
	(55,757)	(57,409)
<b>Net current assets</b>	6,610	(15,598)
<b>Total assets less current liabilities</b>	740,779	804,048
<b>Creditors</b>		
Amounts falling due after more than one year:		
Bank loans (note 7)	(67,501)	(71,943)
<b>Net assets</b>	<b>673,278</b>	<b>732,105</b>
<b>Capital and reserves</b>		
Share capital	4,621	4,621
Share premium	190,939	190,939
Capital redemption reserve	203	203
Capital reserve	472,910	531,587
Revenue reserve	4,605	4,755
<b>Shareholders' funds</b>	<b>673,278</b>	<b>732,105</b>
<b>Net asset value per ordinary share*</b>	<b>729.9p</b>	<b>792.1p</b>
<b>Ordinary shares in issue</b> (note 8)	<b>92,239,925</b>	<b>92,424,925</b>

\* See Glossary of Terms and Alternative Performance Measures on pages 19 to 21.

## Statement of Changes in Equity (unaudited)

### For the six months ended 29 February 2020

	Share capital £'000	Share premium £'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	<b>732,105</b>
Shares bought back into treasury	–	–	–	(1,236)	–	<b>(1,236)</b>
Net return on ordinary activities after taxation	–	–	–	(57,441)	3,085	<b>(54,356)</b>
Dividends paid during the year (note 4)	–	–	–	–	(3,235)	<b>(3,235)</b>
<b>Shareholders' funds at 29 February 2020</b>	<b>4,621</b>	<b>190,939</b>	<b>203</b>	<b>472,910</b>	<b>4,605</b>	<b>673,278</b>

### For the six months ended 28 February 2019

	Share capital £'000	Share premium £'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	<b>756,104</b>
Shares issued	77	12,122	–	–	–	<b>12,199</b>
Net return on ordinary activities after taxation	–	–	–	(123,713)	1,952	<b>(121,761)</b>
Dividends paid during the year (note 4)	–	–	–	–	(549)	<b>(549)</b>
<b>Shareholders' funds at 28 February 2019</b>	<b>4,600</b>	<b>187,577</b>	<b>203</b>	<b>451,735</b>	<b>1,878</b>	<b>645,993</b>

\* The Capital Reserve balance at 29 February 2020 includes investment holding gains on investments of £179,435,000 (28 February 2019 – gains of £236,297,000).

## Condensed Cash Flow Statement (unaudited)

	Six months to 29 February 2020 £'000	Six months to 28 February 2019 £'000
<b>Cash flows from operating activities</b>		
Net return on ordinary activities before taxation	(53,606)	(121,151)
Net losses on investments	64,078	125,886
Currency gains	(6,637)	(2,173)
Finance costs of borrowings	1,252	1,190
Overseas withholding tax	(684)	(563)
Changes in debtors and creditors	(838)	(737)
<b>Cash from operations</b>	3,565	2,452
Interest paid	(1,282)	(1,220)
<b>Net cash inflow from operating activities</b>	2,283	1,232
<b>Cash flows from investing activities</b>		
Acquisitions of investments	(71,241)	(70,505)
Disposals of investments	93,338	64,789
Exchange differences	(534)	(209)
<b>Net cash inflow/(outflow) from investing activities</b>	21,563	(5,925)
Shares issued	–	12,199
Equity dividends paid	(3,235)	(549)
<b>Net cash (outflow)/inflow from financing activities</b>	(3,235)	11,650
<b>Increase in cash and cash equivalents</b>	20,611	6,957
Exchange movements	(710)	(668)
Cash and cash equivalents at 1 September	40,303	27,788
<b>Cash and cash equivalents at 29 February*</b>	<b>60,204</b>	<b>34,077</b>

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

# Notes to the Condensed Financial Statements (unaudited)

## 1 Basis of Accounting

The condensed Financial Statements for the six months to 29 February 2020 comprise the statements set out on the previous pages together with the related notes on pages 13 to 15. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014, updated in October 2019 with consequential amendments and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Financial Statements for the six months to 29 February 2020 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 31 August 2019.

### Going Concern

Having considered the Company's principal risks and uncertainties, as set out on the inside front cover, together with its current position, investment objective and policy, its assets and liabilities, and projected income and expenditure, it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. In accordance with the Company's Articles of Association, shareholders have the right to vote annually at the Annual General Meeting on whether to continue the Company. The next continuation vote will be in December 2020. The Directors have no reason to believe that the continuation resolution will not be passed at the Annual General Meeting. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these Financial Statements.

## 2 Financial Information

The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 August 2019 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying its report and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

## 3 Investment Manager

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager and Company Secretary. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on not less than 6 months' notice, or on shorter notice in certain circumstances. With effect from 1 January 2019, the annual management fee is 0.75% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets, calculated and payable quarterly.

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

### 4 Dividends

	Six months to 29 February 2020 £'000	Six months to 28 February 2019 £'000
Amounts recognised as distribution in the period:		
Previous year's final dividend of 3.50p (2019 – 0.60p), paid 13 December 2019	3,235	549
	<b>3,235</b>	<b>549</b>

No interim dividend has been declared.

### 5 Net Return per Ordinary Share

	Six months to 29 February 2020 £'000	Six months to 28 February 2019 £'000
Revenue return on ordinary activities after taxation	<b>3,085</b>	1,952
Capital return on ordinary activities after taxation	<b>(57,441)</b>	(123,713)
<b>Total net return</b>	<b>(54,356)</b>	<b>(121,761)</b>
<b>Weighted average number of ordinary shares in issue</b>	<b>92,423,903</b>	<b>91,423,682</b>

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

### 6 Fair Value

The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through the profit or loss account are measured is described below. Fair value measurements are categorised on the basis of the lowest level input that is significant to the fair value measurement.

Level 1 – using unadjusted quoted prices for identical instruments in an active market;

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

Level 3 – using inputs that are unobservable (for which market data is unavailable).

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

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

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

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

### 7 Bank Loans

Bank loans of £119.8 million (¥16.5 billion) have been drawn down under yen loan facilities which are repayable between August 2020 and November 2024 (31 August 2019 – £127.6 million (¥16.5 billion)).

### 8 Share Capital

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

During the period, no shares were issued (28 February 2019 – 1,540,000 shares were issued at a premium to net asset value raising net proceeds of £12,199,000).

During the period to 29 February 2020, 185,000 ordinary shares were bought back into treasury at a cost of £1,236,000 (2019 – nil). As at 29 February 2020 the Company has authority remaining to buy back 13,669,496 ordinary shares.

### 9 Transaction Costs

Transaction costs incurred on the purchase and sale of the investments are added to the purchase cost or deducted from the sales proceeds, as appropriate. During the period, transaction costs on purchases amounted to £33,000 (28 February 2019 – £35,000) and transaction costs on sales amounted to £39,000 (28 February 2019 – £37,000).

### 10 Related Party Transactions

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

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

## Further Shareholder Information

### How to Invest

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

### Client Relations Team Contact Details

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

### Automatic Exchange of Information

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

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

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

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders

<https://www.gov.uk/government/publications/exchange-of-information-account-holders>.

### Risk Warnings

Past performance is not a guide to future performance.

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

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

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

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

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

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

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

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

## Further Shareholder Information (continued)

Political developments are closely monitored and considered by the Board. The Board continues to monitor developments as they occur following the UK's departure from the European Union but believes that the Company's portfolio of Japanese equities positions the Company to be suitably insulated from Brexit related risks.

The impact of COVID-19 is unprecedented. The Board of The Baillie Gifford Japan Trust PLC and the Investment Manager are actively working together to monitor the effect on the Company and its investee companies. The Investment Manager has measures in place to safeguard the health of its employees whilst remaining fully operational and providing business continuity to its clients. In particular, the Board and Investment Manager are monitoring closely the following:

- the valuation and liquidity of Baillie Gifford Japan portfolio companies;
- the debt covenants in place for the Company's borrowings;
- the operational arrangements in place at Baillie Gifford & Co; and
- the ability of Baillie Gifford Japan's third-party service providers to continue to provide contracted services.

The Investment Manager and third-party service providers remain fully operational and business continuity plans are working as expected.

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

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

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

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

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

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

Further details of the risks associated with investing in the Company, including a Key Information Document and how charges are applied, can be found at [www.japantrustplc.co.uk](http://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.

## Third Party Data Provider Disclaimer

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## Benchmark

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

# Glossary of Terms and Alternative Performance Measures (APM)

## Total Assets

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

## Net Asset Value

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

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

Borrowings are valued at an estimate of their market worth.

## Net Asset Value (Borrowings at Par Value)

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

## Net Asset Value (Reconciliation of NAV at Par to NAV at Fair)

	29 February 2020 £'000	31 August 2019 £'000
Shareholders' funds (borrowings at par value)	673,278	732,105
Add: par value of borrowings	119,760	127,641
Less: fair value of borrowings	(121,403)	(130,192)
<b>Shareholders' funds (borrowings at fair value)</b>	<b>671,635</b>	<b>729,554</b>
Shares in issue (excluding treasury shares)	92,239,925	92,424,925
<b>Net Asset Value per ordinary share (borrowings at fair value)</b>	<b>728.1p</b>	<b>789.3p</b>

## Net Current Assets

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

## Premium/(Discount) (APM)

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

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

### Total Return (APM)

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

		Feb 2020 NAV (fair)	Feb 2020 NAV (par)	Feb 2020 Share Price	Feb 2019 NAV (fair)	Feb 2019 NAV (par)	Feb 2019 Share Price
Closing NAV per share/share price	(a)	728.1p	729.9p	675.0p	700.2p	702.2p	739.0p
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)	731.2p	733.0p	677.9p	700.8p	702.8p	739.6p
Opening NAV per share /share price	(d)	789.3p	792.1p	791.0p	834.0p	835.8p	855.0p
<b>Total return</b>	<b>((c÷d)-1) x 100%</b>	<b>(7.4%)</b>	<b>(7.5%)</b>	<b>(14.3%)</b>	<b>(16.0%)</b>	<b>(15.9%)</b>	<b>(13.5%)</b>

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

### 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).

		31 August 2019 £'000	31 August 2018 £'000
Investment management fee		4,149	4,354
Other administrative expenses		654	678
<b>Total Expenses</b>	(a)	<b>4,803</b>	<b>5,032</b>
Average net asset value (borrowings at fair value)	(b)	686,294	685,716
<b>Ongoing charges ((a) ÷ (b) expressed as a percentage)</b>		<b>0.70%</b>	<b>0.73%</b>

### Gearing (APM)

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

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

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

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

### **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.

### **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 B Pitman

## Alternative Investment Fund Managers, Secretaries and Registered Office

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