

THE BAILLIE GIFFORD JAPAN TRUST PLC



Interim Financial Report
28 February 2019





Policy and Objective

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

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 2018 and is available on the Company's website: www.japantrustplc.co.uk. The principal risks and uncertainties have not changed since the date of that report.

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
Nick AC Bannerman
Chairman
20 March 2019

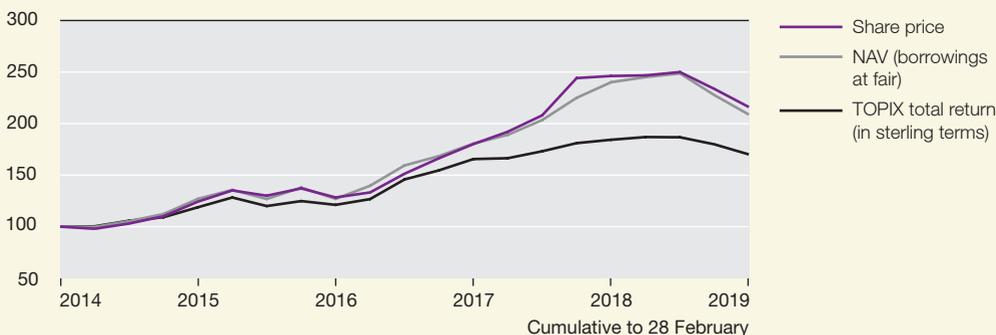
Summary of Unaudited Results*

	28 February 2019	31 August 2018	% change
Shareholders' funds	£646.0m	£756.1m	
Net asset value per share (after deducting borrowings at fair value)*	700.2p	834.0p	(16.0)
Net asset value per share (after deducting borrowings at par value)	702.2p	835.8p	(16.0)
Share price	739.0p	855.0p	(13.6)
TOPIX total return (in sterling terms)†			(8.9)
Premium (borrowings at fair value)*	5.5%	2.5%	
Premium (borrowings at par value)	5.2%	2.3%	
Active share*	85%	84%	

Period's high and low	Six months to 28 February 2019		Year to 31 August 2018	
	High	Low	High	Low
Net asset value per share (after deducting borrowings at fair value)*	842.2p	628.8p	844.2p	658.2p
Net asset value per share (after deducting borrowings at par value)	845.0p	630.7p	847.5p	661.4p
Share price	866.0p	663.0p	882.0p	683.0p
Premium/(discount) (borrowings at fair value)*	8.3%	(0.9%)	10.6%	0.4%
Premium/(discount) (borrowings at par value)	7.9%	(1.2%)	10.1%	0.0%

Five Year Performance†

(figures rebased to 100 at 28 February 2014)



* See Glossary of Terms and Alternative Performance Measures on pages 18 and 19 for definition of terms.

† Source: Baillie Gifford/Refinitiv and relevant underlying data providers. See disclaimer on page 17.

Past performance is not a guide to future performance.

Chairman's Statement

Board Changes

Your Board is committed to high standards of corporate governance. In particular, it recognises the need to have a balance of skills, experience and length of service, all of which forms part of our succession planning discussions during Nomination Committee meetings. After serving 5 years as your Chairman, I will be stepping down from the Board at the conclusion of the Annual General Meeting of the Company to be held in December. The Board has agreed that I will be replaced as Chairman by Keith Falconer who has been a Director since 2014 and I am confident that the Company will benefit from his stewardship. In turn, Keith will relinquish his position as Chair of the Company's Audit Committee. A replacement Audit Chair will be appointed in due course.

Management Fee

During the period, the Company announced a reduction in the annual management fee payable to Baillie Gifford & Co Limited, the Company's Managers and Secretaries. With effect from 1 January 2019 the Company's annual management fee will be calculated at 0.75% (was 0.95%) on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remainder.

Brexit

As a UK listed company, the Board and Managers have considered the implications of Brexit. Around half of the Company's investments are domestically focused within Japan and the remaining holdings have minimal exposure to the UK. The Board is therefore not concerned about the impact of Brexit on the portfolio.

Nick Bannerman
Chairman
20 March 2019

Interim Management Report

During the six months to the end of February 2019 the NAV of your Company, after deducting borrowings at fair value, decreased by 16.0% to 700.2p whilst the share price fell by 13.6%. The TOPIX fell by 8.9% in sterling terms during the same period. This is disappointing. However, we continue to believe that it is more meaningful to consider performance over longer time horizons. Over the past 3 years the NAV of your company is up by 64.4% and the share price by 68.3%. The TOPIX rose by 40.4% in sterling terms during the same period. This is encouraging. Herein we see one of the challenges of equity investing in action. Strategies can deliver good results over the long-term but that does not make them immune to short-term challenges. To achieve a good long-term outcome we need to be prepared to accept short-term volatility and focus on actual investing – holding a portfolio of good companies with attractive growth prospects for the long term.

During the last six months there have been various signs of a global slowdown. At this stage both the depth and duration remain unclear. When we have met with management in the manufacturing sector the general indication is that there has not yet been a rebound.

The three largest individual stock detractors to performance were the holdings in CyberAgent (internet advertising and content), Outsourcing (employment placement service) and ZOZO (internet fashion retail, formerly named Start Today). These had individual negative attributions of between -0.9% and -1.3% over the six-month period. These are all dynamic businesses led by founders with large personal stakes in the businesses and that have managed to deliver good long term growth rates. Interestingly, when we take a step back and look at how these shares have contributed to the portfolio over the longer term the outcomes are much more positive. Compared with acquisition cost the shares in CyberAgent are 76% higher, those in Outsourcing 181% higher, and those in ZOZO are 247% higher in

local currency terms. We continue to hold the shares and have conviction that backing such opportunities will deliver good results over the longer-term. During the six-month period no stock added more than +1.0% to performance. The largest positive attributions were Pan-Pacific holdings (discount store chain, formerly named Don Quijote) at +0.7% and H.I.S. (discount travel agency and theme parks) at +0.5%.

The Company retains a prudent level of net gearing of around 12% at the time of writing. This allows us to benefit from the long-term effects of investing in good quality businesses using low-cost debt but with little risk of feeling pressured to sell should share prices weaken in the short-term. However, the gearing was unhelpful in the six-month period, contributing -1.7%, as is typical when the market is weaker in local currency terms.

Over the period we bought three new holdings and sold five holdings. Turnover remained low in line with our long-term time horizon. Two of the new holdings, Gree and Mixi, create and operate games for mobile phones. In each case the company has experienced a growth setback, but the market has, in our view, over-reacted with the result that at least two-thirds of the value of each company is covered by the net cash position on the balance sheet. This seems very strange to us given that these are entrepreneurial companies operating with an increasing market opportunity. DMG Mori is a machine tool manufacturer where the size of the business has been transformed by its acquisition of German machine tool manufacturer Gildemeister. As the integration continues to progress we expect significant growth in profits. Of the holdings sold, Pigeon and Iriso Electronics are both cases where the company has shown good growth in earnings and share price, but we think it will be difficult for margins to expand further and therefore it will be difficult for growth rates to match the past. Toyo Tire, Sanbio and Renesas are cases where we changed our view on the fundamental attraction of the

Interim Management Report (continued)

business. Sanbio, a stem cell company, had a major trial failure and we believe the path to a successful future is now significantly more complicated, while the managements of both Toyo Tire and Renesas acted in ways that we do not believe are aligned to the interests of long-term shareholders.

We continue to be excited about the opportunities for growth stock-picking in Japan and believe that a well-executed strategy delivers results. When we consider the strengths of the businesses held in the portfolio we remain optimistic about the future.

The principal risks and uncertainties facing the Company are set out on the inside front cover of this report.

See Glossary of Terms and Alternative Performance Measures on pages 18 and 19 for definition of terms. Total return information is sourced from Baillie Gifford/Refinitiv. See disclaimer on page 17. Past performance is not a guide to future performance.

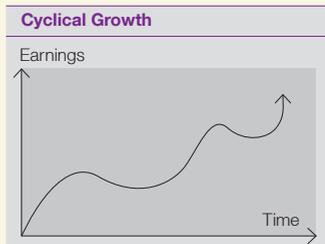
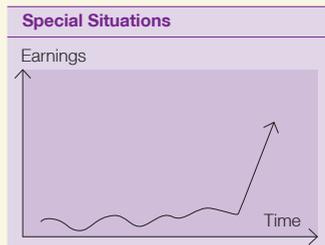
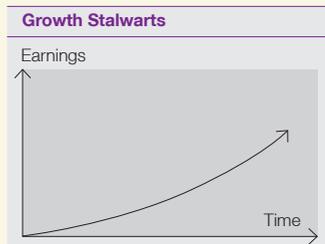
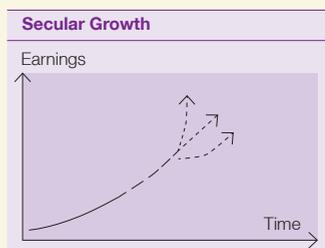
Historic Growth Sector Distribution and Recent Portfolio Activity

Portfolio Allocation %	28 February 2019	New buys	Complete sales
	Secular Growth 56.6%		Iriso Electronics Pigeon SanBio
	Growth Stalwarts 7.2%		
	Special Situations 13.3%	Gree Mixi	Renesas Electronics
	Cyclical Growth 18.4%	DMG Mori	Toyo Tire & Rubber
	Cash 4.5%		

Past performance is not a guide to future performance.

Equity Portfolio by Growth Category as at 28 February 2019

Secular Growth	%*	Growth Stalwarts	%*
Rakuten	3.2	Zenkoku Hoshō	1.4
SBI	3.0	Nitori	1.3
Inpex	2.5	Park24	1.2
Misumi	2.4	Fukuoka Financial	0.8
Kubota	2.4	Mitsubishi UFJ Lease & Finance	0.7
GMO Internet	2.4	Asics	0.6
Fanuc	2.3	Sawai Pharmaceutical	0.6
Systemx	2.2	Secom	0.6
H.I.S.	2.1	Total	7.2
Recruit Holdings	2.1	Special Situations	%*
M3	2.1	SoftBank	6.4
Outsourcing	2.0	Sony	2.2
Yaskawa Electric	2.0	Tokyo Tatemono	1.3
Nidec	1.9	Colopl	1.3
SMC	1.8	JAFCO	0.8
Shimadzu	1.8	Gree	0.7
Pan Pacific International Holdings	1.7	Mixi	0.6
CyberAgent	1.7	Total	13.3
ZOZO	1.7	Cyclical Growth	%*
Sato	1.6	Itochu	2.0
Topcon	1.3	Sumitomo Mitsui Trust	1.8
MonotaRO	1.2	Sumitomo Metal Mining	1.8
Toyota Tsusho	1.1	Nifco	1.5
Istyle	1.1	Mitsubishi Electric	1.5
Subaru	1.0	Murata	1.5
Infomart	0.9	Disco	1.3
Broadleaf	0.9	Advantest	1.2
Digital Garage	0.9	Iida	1.2
Peptidream	0.9	Invincible Investment	1.0
Lifull	0.7	Persol Holdings	1.0
Keyence	0.7	DMG Mori	0.9
Mercari	0.6	Mazda Motor	0.7
Nippon Ceramic	0.5	Katitas	0.6
Noritsu Koki	0.5	Isuzu Motors	0.4
Shimano	0.5	Total	18.4
Rizap	0.3		
Cyberdyne	0.3		
Healios K.K.	0.3		
Total	56.6		



* Percentage of total assets†.

† See Glossary of Terms and Alternative Performance Measures on pages 18 and 19.

A definition of growth categories can be found in the Managers' Report on page 10 of the Annual Report and Financial Statements.

Twenty Largest Holdings at 28 February 2019

Name	Business	Value £'000	% of total* assets
SoftBank	Telecom operator and technology investor	48,287	6.4
Rakuten	Internet retail and financial services	24,015	3.2
SBI	Online financial services	23,041	3.0
Inpex	Oil and gas producer	18,995	2.5
Misumi	Online distributor of precision machinery parts	18,459	2.4
Kubota	Agricultural machinery	18,248	2.4
GMO Internet	Internet conglomerate	17,833	2.4
Fanuc	Robotics manufacturer	17,112	2.3
Sysmex	Medical testing equipment	16,550	2.2
Sony	Consumer electronics, films and finance	16,521	2.2
H.I.S.	Discount travel agency and theme parks	16,261	2.1
Recruit Holdings	Property, lifestyle and HR media	16,221	2.1
M3	Online medical services	15,834	2.1
Itochu	General trading firm	15,181	2.0
Outsourcing	Employment placement services	15,087	2.0
Yaskawa Electric	Specialist factory automation	14,884	2.0
Nidec	Specialist motors	14,579	1.9
Sumitomo Mitsui Trust	Japanese trust bank and investment manager	13,748	1.8
SMC	Producer of factory automation equipment	13,556	1.8
Shimadzu	Precision tools and equipment maker	13,533	1.8
Total		367,945	48.6

* See Glossary of Terms and Alternative Performance Measures on pages 18 and 19.

Income Statement (unaudited)

	For the six months ended 28 February 2019			For the six months ended 28 February 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on sales of investments	–	31,470	31,470	–	26,651	26,651
Movement in investment holding gains	–	(157,356)	(157,356)	–	74,391	74,391
Currency gains	–	2,173	2,173	–	2,046	2,046
Income from investments and interest receivable	6,096	–	6,096	4,908	–	4,908
Investment management fee	(2,035)	–	(2,035)	(2,097)	–	(2,097)
Other administrative expenses	(309)	–	(309)	(305)	–	(305)
Net return before finance costs and taxation	3,752	(123,713)	(119,961)	2,506	103,088	105,594
Finance costs of borrowings	(1,190)	–	(1,190)	(1,238)	–	(1,238)
Net return on ordinary activities before taxation	2,562	(123,713)	(121,151)	1,268	103,088	104,356
Tax on ordinary activities	(610)	–	(610)	(490)	–	(490)
Net return on ordinary activities after taxation	1,952	(123,713)	(121,761)	778	103,088	103,866
Net return per ordinary share (note 5)	2.14p	(135.32p)	(133.18p)	0.90p	119.32p	120.22p

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 28 February 2019 £'000	At 31 August 2018 £'000
Fixed assets		
Investments held at fair value through profit or loss (note 6)	723,155	842,045
Current assets		
Debtors	2,148	4,700
Cash and cash equivalents	34,077	27,788
	36,225	32,488
Creditors		
Amounts falling due within one year	(1,951)	(3,943)
Net current assets	34,274	28,545
Total assets less current liabilities	757,429	870,590
Creditors		
Amounts falling due after more than one year:		
Bank loans (note 7)	(111,436)	(114,486)
Net assets	645,993	756,104
Capital and reserves		
Share capital	4,600	4,523
Share premium	187,577	175,455
Capital redemption reserve	203	203
Capital reserve	451,735	575,448
Revenue reserve	1,878	475
Shareholders' funds	645,993	756,104
Net asset value per ordinary share*	702.2p	835.8p
Ordinary shares in issue (note 8)	91,999,925	90,459,925

* See Glossary of Terms and Alternative Performance Measures on pages 18 and 19.

Statement of Changes in Equity (unaudited)

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

For the six months ended 28 February 2018

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 September 2017	4,194	122,698	203	449,885	(1,759)	575,221
Shares issued	264	42,026	–	–	–	42,290
Net return on ordinary activities after taxation	–	–	–	103,088	778	103,866
Shareholders' funds at 28 February 2018	4,458	164,724	203	552,973	(981)	721,377

* The Capital Reserve balance at 28 February 2019 includes investment holding gains on investments of £236,297,000 (28 February 2018 – gains of £409,233,000).

Condensed Cash Flow Statement (unaudited)

	Six months to 28 February 2019 £'000	Six months to 28 February 2018 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation	(121,151)	104,356
Net losses/(gains) on investments	125,886	(101,042)
Currency gains	(2,173)	(2,046)
Finance costs of borrowings	1,190	1,238
Overseas withholding tax	(563)	(427)
Changes in debtors and creditors	(737)	(2,178)
Cash from operations	2,452	(99)
Interest paid	(1,220)	(1,027)
Net cash inflow/(outflow) from operating activities	1,232	(1,126)
Cash flows from investing activities		
Acquisitions of investments	(70,505)	(117,343)
Disposals of investments	64,789	47,249
Exchange differences	(209)	269
Net cash outflow from investing activities	(5,925)	(69,825)
Shares issued	12,199	42,290
Equity dividends paid	(549)	–
Bank loans drawn down	–	62,873
Bank loans repaid	–	(20,045)
Net cash inflow from financing activities	11,650	85,118
Increase in cash and cash equivalents	6,957	14,167
Exchange movements	(668)	(1,122)
Cash and cash equivalents at 1 September	27,788	10,585
Cash and cash equivalents at 28 February*	34,077	23,630

* 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 The condensed Financial Statements for the six months to 28 February 2019 comprise the statements set out on the previous pages together with the related notes on pages 13 and 14. 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 February 2018 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 28 February 2019 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 2018.

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 2019. 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 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 2018 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 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. Prior to 1 January 2019, the annual management fee was 0.95% 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 Dividends

	Six months to 28 February 2019 £'000	Six months to 28 February 2018 £'000
Amounts recognised as distribution in the period:		
Previous year's final dividend of 0.60p (2018: nil), paid 14 December 2018	549	–
	549	–

No interim dividend will be declared.

Notes to the Condensed Financial Statements (unaudited)

5 Net return per ordinary share

	Six months to 28 February 2019 £'000	Six months to 28 February 2018 £'000
Revenue return on ordinary activities after taxation	1,952	778
Capital return on ordinary activities after taxation	(123,713)	103,088

Net return per ordinary share is based on the above totals of revenue and capital and on 91,423,682 ordinary shares (28 February 2018 – 86,399,787), being 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.

- 7** Bank loans of £111.4 million (¥16.5 billion) have been drawn down under yen loan facilities which are repayable between August 2020 and November 2024 (31 August 2018 – £114.5 million (¥16.5 billion)).
- 8** 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, 1,540,000 shares (28 February 2018 – 5,275,000) were issued at a premium to net asset value raising net proceeds of £12,199,000 (28 February 2018 – £42,290,043).
- 9** 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 £35,000 (28 February 2018 – £54,000) and transaction costs on sales amounted to £37,000 (28 February 2018 – £29,000).

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 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.

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 regarding 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 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.

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

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, 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.

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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)

	28 February 2019 £'000	31 August 2018 £'000
Shareholders' funds (borrowings at par value)	645,993	756,104
Add: par value of borrowings	111,436	114,486
Less: fair value of borrowings	(113,250)	(116,111)
Shareholders' funds (borrowings at fair value)	644,179	754,479
Shares in issue	91,999,925	90,459,925
Net Asset Value per ordinary share (borrowings at fair value)	700.2p	834.0p

Net Liquid Assets

Net liquid 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.

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.

Ongoing Charges (APM)

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with borrowings at fair value). The ongoing charges have been calculated on the basis prescribed by the Association of Investment Companies.

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.

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:
Nick AC Bannerman

J Keith R Falconer
David P Kidd
Martin H Paling
Joanna B Pitman

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