THE BAILLIE GIFFORD JAPAN TRUST PLC

Annual Report and Financial Statements
31 August 2018

BAILLIE GIFFORD

Contents

Investor Disclosure Document

The EU Alternative Investment Fund Managers Directive requires certain information to be made available to investors prior to their investment in the Company. The Company's Investor Disclosure Document is available for viewing at **www.japantrustplc.co.uk**.

Notes

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

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

The Baillie Gifford Japan Trust PLC currently conducts its affairs, and intends to continue to conduct its affairs, so that the Company's Ordinary Shares can qualify to be considered as a mainstream investment product and can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority 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 or Form of Direction, 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 2018

Share Price +20.2% | **NAV +22.2%** | **Benchmark* +7.8%**

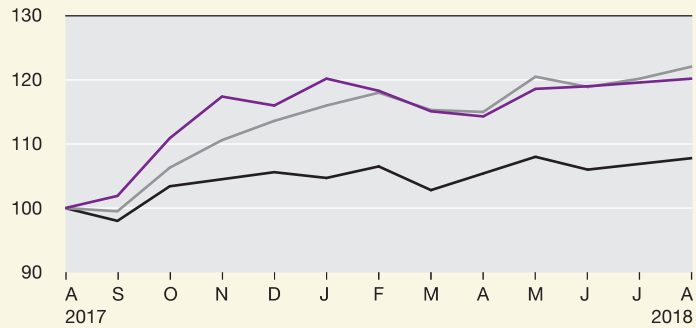
Share Price, NAV and Benchmark

(figures rebased to 100 at 31 August 2017)

Share price

NAV (after deducting borrowings at fair value†)

Benchmark*

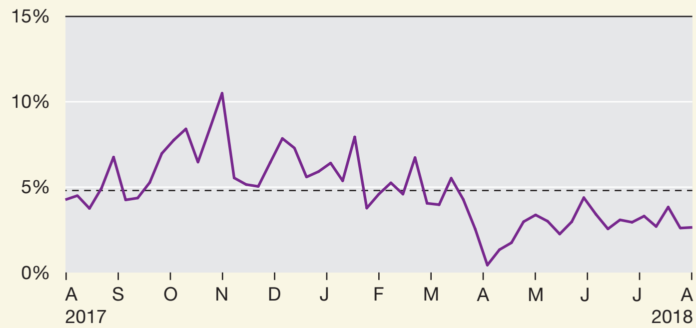


Premium/(Discount) to Net Asset Value

(figures plotted on a weekly basis)

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

Average premium (after deducting borrowings at fair value†)



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

† See Glossary of Terms on page 57.

Source: Thomson Reuters/Baillie Gifford and any relevant underlying index providers. See disclaimer on page 56.

Past performance is not a guide to future performance.

Strategic Report

The Strategic Report, which includes pages 2 to 18 and incorporates the Chairman's Statement has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

This has been another good year for the Japan Trust with net asset value (after deducting borrowings at fair value) rising 22.2%, significantly ahead of the 7.8% rise in the benchmark TOPIX index total return (in sterling terms). The share price increased by 20.2%, breaking through 800p for the first time, while the Company's shares traded at a premium to NAV (after deducting borrowings at fair value) of 2.5% at 31 August 2018. The Company was promoted into the FTSE 250 in March 2018.

Our emphasis remains on the long-term strategy however and so it is particularly pleasing to note this strong performance builds on impressive five and ten year records for the Japan Trust.

The Managers' track record of successful stock selection (+10.5%) was a major contributor to the returns with additional benefit from gearing (+1.7%); further performance details are to be found in the Managers' Report.

Investment income rose by £2.39m to £10.87m for the year, due in the main to the continuing increase in dividends. Expenses rose by £1.26m, due mostly to higher management fees (up £1.17m to £4.35m), in line with the substantial increase in net asset value.

Overall revenue gain per share was 2.54p (2017 – 2.80p) while ongoing charges for the year reduced slightly to 0.73% (2017 – 0.78%).

Portfolio Management Responsibilities

As noted in our last Annual Report, Sarah Whitley was due to retire from Baillie Gifford on 30 April 2018 after managing the Company's portfolio since 1991 and has been succeeded by Matthew Brett as the Company's portfolio manager assisted by Praveen Kumar as deputy manager.

The promise of a smooth management transition was delivered and the Board has been more than satisfied with the manner in which this milestone was passed and how Matthew Brett is managing the Japan Trust.

Gearing

Gearing amounted to 13% of shareholders' funds at the start of the year and ended the year at 11%. Gross borrowings increased to ¥16.5bn (2017 – ¥11.7bn), while the sterling value of these loans in the balance sheet rose to £114.5m at the year end (2017 – £82.5m). Given the very low cost of yen loans and the positive contribution of gearing to performance during the year, we continue to believe that borrowing to invest in Japanese equities is a sensible strategy.

Dividend

The Company's objective has always been, and will remain, to achieve long term capital growth and investors should not expect to receive any income. This year the revenue reserve deficit has been extinguished by the net revenue return creating a revenue reserve surplus of £475,000. To ensure investment trust status is maintained, the revenue reserve surplus will be distributed in full supplemented by a small distribution from realised capital reserves, as permitted by the Company's Articles. In future, the intention is not to make distributions from capital as the Board is firmly of the view that capital growth remains the focus of the Company. A final dividend of 0.60p per ordinary share will be put to shareholders for approval at the Annual General Meeting to be held on 6 December 2018 and, if approved, will be paid on 14 December 2018 to shareholders on the register at the close of business on 30 November 2018.

Share Capital

The Company did not exercise its share buy back powers during the year; however, your Board believes it is important that the Company retains this power and so, at the Annual General Meeting, is seeking to renew this facility. The Company also has authority to issue new shares and to reissue any shares held in treasury for cash on a non-pre-emptive basis. Shares are issued/reissued only at a premium to net asset value, thereby enhancing net asset value per share for existing shareholders.

During the year to 31 August 2018, 6.6m shares were issued at a premium to net asset value raising proceeds of £53.1m, continuing the trend of recent years. The Directors are, once again, seeking 10% share issuance authority at the Annual General Meeting and we will continue to issue shares only when at a premium to net asset value. This authority will expire at the conclusion of the Annual General Meeting in 2019.

Continuation Vote

Our shareholders have the right to vote annually on whether the Company should continue in business and will have the opportunity to do so again at the Annual General Meeting to be held on 6 December 2018.

Last year, the Company again received support for its continuation. Your Directors still believe there remain 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

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. Given the above, it also believes that membership of the Board should be refreshed over time and to that end, after 12 years of excellent service, Paul Dimond CMG is standing down at the AGM. Following a robust recruitment process earlier in the year, we were delighted to welcome Joanna Pitman to the Board. Her Japanese experience and knowledge will undoubtedly be of great benefit to the Company in the years ahead.

Past performance is not a guide to future performance.

Outlook

As in previous years, our Managers have continued to find interesting companies operating in both domestic and export markets in which to invest. The ongoing success of their 'bottom up' approach to stock picking adds significantly to the value of the portfolio. As a Board, we believe there remain numerous opportunities for investment in Japanese companies able to capitalise on the changes within the wider economy.

Although the Trust concentrates more on micro than macro issues, it is worth reflecting on some of the latter given that Prime Minister Shinzo Abe recently won the leadership contest in the ruling Liberal Democratic Party by a wide margin. This prospectively leaves him in office until 2021 as Japan's longest serving Prime Minister. Debate about his likely legacy focuses on an expansionist economic strategy (known as Abenomics) and on constitutional reform covering the role of the Self-Defence Forces. The Prime Minister has expressed his firm intention to go ahead with the previously delayed increase in the sales tax from 8% to 10%, in October 2019. A further notable event is set for May with the Imperial succession when Crown Prince Naruhito takes over on the abdication of His Majesty Emperor Akihito.

Against the background of an ageing population and low birthrate, the labour market is extremely tight thus stimulating labour market related innovation among companies in which the Trust has invested.

Corporate governance remains an important pillar of the Government's economic programme. Under the revised Stewardship Code, disclosure, fiduciary responsibility, increased return on equity and reform of cross-shareholding are all highlighted and we have been pleased to see something of a watershed in corporate leaders' prioritisation of shareholder interests. Your Trust continues to examine attitudes to corporate governance in the companies considered for investment.

The economy has grown for six successive years and, despite some distressing and damaging natural disasters this year, the signs are encouraging for 2019. There also remain some political, tensions in the region, especially over US-China trade relations; however we remain positive on the outlook for investments in the Baillie Gifford Japan Trust portfolio.

Nick AC Bannerman
Chairman
24 October 2018

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One Year Summary

	31 August 2018	31 August 2017	% change
Total assets (before deduction of bank loans)	£870.6m	£657.7m	
Bank loans	£114.5m	£82.5m	
Shareholders' funds	£756.1m	£575.2m	
Net asset value per share (after deducting borrowings at fair value†)#	834.0p	682.4p	22.2
Net asset value per share (after deducting borrowings at par value†)#	835.8p	685.8p	21.9
Share price	855.0p	711.5p	20.2
TOPIX total return (in sterling terms)*			7.8
Yen/sterling exchange rate	144.1	141.8	(1.6)
Revenue earnings per ordinary share	2.54p	2.80p	
Ongoing charges#	0.73%	0.78%	
Premium/(discount) (after deducting borrowings at fair value†)#	2.5%	4.3%	
Premium/(discount) (after deducting borrowings at par value†)#	2.3%	3.7%	
Active share†#	84%	85%	

Year to 31 August	2018	2018	2017	2017
Year's high and low	**High**	**Low**	**High**	**Low**
Net asset value per share (after deducting borrowings at fair value)	844.2p	658.2p	683.2p	521.5p
Net asset value per share (after deducting borrowings at par value)	847.5p	661.4p	686.6p	526.7p
Share price	882.0p	683.0p	711.5p	511.8p
Premium/(discount) (after deducting borrowings at fair value)	10.6%	0.4%	6.2%	(5.2%)
Premium/(discount) (after deducting borrowings at par value)	10.1%	0.0%	5.4%	(6.1%)

	31 August 2018	31 August 2017
Net return per ordinary share		
Revenue	2.54p	2.80p
Capital	142.51p	142.75p
Total	**145.05p**	**145.55p**

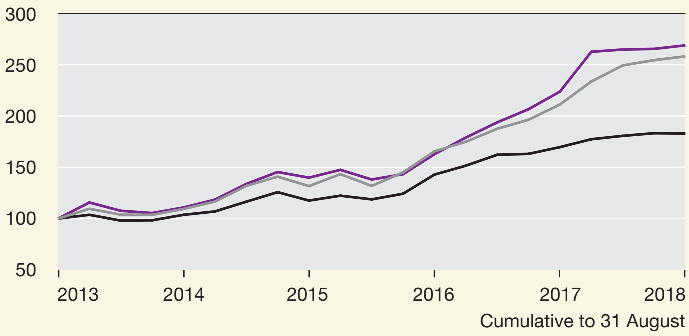
* Source: Thomson Reuters and any relevant underlying index providers. See disclaimer on page 56.
† See Glossary of Terms on page 57.
# Alternative performance measure, see Glossary of Terms on page 57.

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 2018.

5 Year Performance

(figures rebased to 100 at 31 August 2013)



Source: Thomson Reuters/Baillie Gifford.

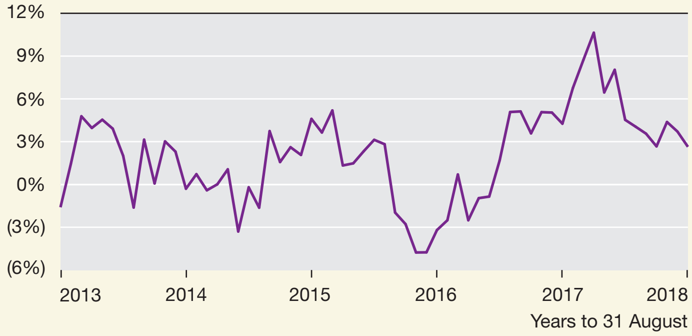
Share price

NAV (at fair)

Benchmark*

Premium/(Discount) to Net Asset Value

(figures plotted on a monthly basis)

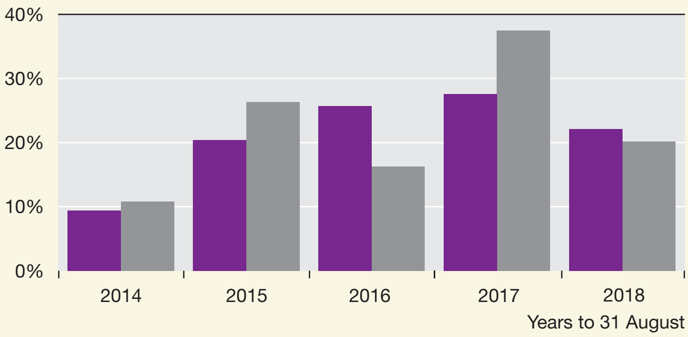


Source: Thomson Reuters/Baillie Gifford.

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 and Share Price

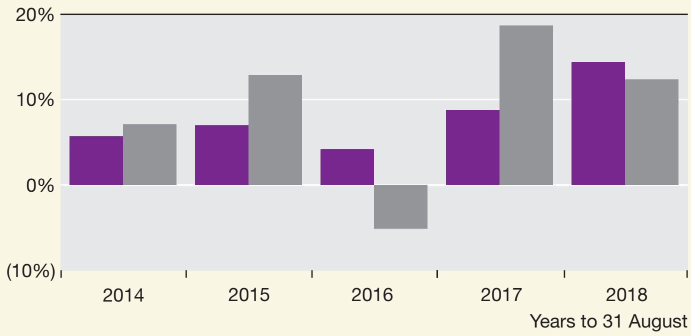


Source: Thomson Reuters/Baillie Gifford.

NAV return (at fair)

Share price return

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



Source: Thomson Reuters/Baillie Gifford.

NAV return (at fair)

Share price return

* The benchmark is the TOPIX total return (in sterling terms). See disclaimer on page 56.
For a definition of terms see Glossary of Terms on page 57.

Past performance is not a guide to future performance.

Ten Year Record

Capital

At 31 August	Total assets £'000	Bank loans £'000	Shareholders' funds £'000	Net asset value per ordinary share (fair) * p	Net asset value per ordinary share (par) * p	Share price p	Premium/ (discount) † (fair) %	Premium/ (discount) † (par) %
2008	138,168	26,775	111,393	179.6	179.9	160.0	(10.9)	(11.1)
2009	138,775	23,481	115,294	185.3	186.2	153.3	(17.3)	(17.7)
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**

* Net asset value per ordinary share has been calculated after deducting long term borrowings at either fair or par value. See note 18, page 47 and Glossary of Terms on page 57.

† 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 on page 57.

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 # %
2008	2,195	246	0.40	–	1.17
2009	2,422	532	0.86	–	1.09
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**	**0.60p**	**0.73**

Gearing Ratios

Year to 31 August	Gearing ‡ %	Potential gearing ¶ %
2008	15	24
2009	15	20
2010	18	24
2011	18	21
2012	19	21
2013	16	17
2014	15	17
2015	14	17
2016	17	18
2017	13	14
2018	**11**	**15**

Total operating costs divided by average net asset value (with debt at fair value). See Glossary of Terms on page 57. The 2008 figure excludes the impact of VAT on management fees recovered.

‡ Total assets (including all debt used for investment purposes) less all cash and cash equivalents expressed as a percentage of shareholders' funds. See Glossary of Terms on page 57.

¶ Total assets (including all debt used for investment purposes) expressed as a percentage of shareholders' funds. See Glossary of Terms on page 57.

Cumulative Performance (taking 2008 as 100)

At 31 August	Net asset value per share (fair)	Share price	Benchmark §^
2008	100	100	100
2009	103	96	101
2010	104	96	98
2011	120	120	100
2012	121	123	97
2013	180	199	123
2014	197	220	128
2015	237	278	145
2016	298	323	176
2017	380	323	209
2018	**464**	**534**	**225**
Compound annual returns			
5 year	20.9%	21.9%	12.9%
10 year	16.6%	18.3%	8.5%

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

^ Source: Thomson Reuters/Baillie Gifford and any relevant underlying index providers. See disclaimer on page 56.

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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 and smaller sized Japanese companies which are believed to have above average prospects for growth, although it invests in larger companies when considered appropriate.

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

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

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

On acquisition, no holding shall exceed 5% of the portfolio at the time of purchase and any holding that as a result of good performance exceeds 5% of the portfolio is subject to particular scrutiny. A holding greater than 5% will only be held where the Managers continue to be convinced of the merits of the investment case.

On acquisition, no more than 15% of the Company's gross assets will be invested in other UK listed investment companies.

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

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

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

A detailed analysis of the Company's Investment Portfolio is set out on pages 14 to 18 and in the Managers' Report and Review of Investments.

Performance

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

Key Performance Indicators

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

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

An explanation of these measures can be found in the Glossary of Terms on page 57.

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

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

Borrowings

Total borrowings at 31 August 2018 were ¥16.5 billion and are detailed in note 12 on page 43. During the year, the Company entered into a new seven year, ¥9.3bn fixed term facility with ING Bank N.V. which expires in November 2024 and is fully drawn. ¥3.0bn drawn down under the Scotiabank ¥3.0bn revolver facility was repaid, however, the facility remains in place, expiring in August 2020.

Currency Hedging

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

Principal Risks

As explained on page 24 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 risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A description of these risks and how they are being managed or mitigated is set out below:

Financial Risk – the Company's assets consist of listed securities and its principal financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 18 to the Financial Statements on pages 45 to 48. To mitigate this risk the Board considers at each meeting various portfolio metrics including individual stock performance, the composition and diversification of the portfolio by growth category, purchases and sales of investments, the holding period of each investment and the top and bottom contributors to performance. The Manager provides rationale for stock selection decisions. A strategy meeting is held annually.

Investment Strategy Risk – pursuing an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or the ineffective implementation of an attractive or appropriate strategy, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company's shares. This may lead to the Company's shares trading at a widening discount to their Net Asset Value. To mitigate this risk, the Board regularly reviews and monitors: the Company's objective and investment policy and strategy; the investment portfolio and its performance; the level of 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 Internal Audit Department and a summary of the key points is reported to the Audit Committee and any concerns investigated. In addition, the existence of assets is subject to annual external audit.

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

Operational Risk – failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption or major disaster. The Audit Committee reviews Baillie Gifford's Report on Internal Controls and the reports by other key third party providers are reviewed by Baillie Gifford on behalf of the Board.

Leverage Risk – the Company may borrow money for investment purposes (sometimes known as 'gearing' or 'leverage'). If the investments fall in value, any borrowings will magnify the extent of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. To mitigate this risk, all borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. Covenant levels are monitored regularly. The Company's investments are in listed securities that are readily realisable. Further information on leverage can be found on page 56 and in the Glossary of Terms on page 57.

Political Risk – political developments are closely monitored and considered by the Board. The Board has noted the Government's intention that the UK will leave the European Union on 29 March 2019. Whilst there remains considerable uncertainty at present, the Board will continue to monitor developments as they occur and assess the potential consequences for the Company's future activities.

Viability Statement

Notwithstanding that the continuation vote of the Company is subject to the approval of shareholders annually, the Directors have, in accordance with provision C2.2 of the 2016 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 page 8 and in particular the impact of market risk where a significant fall in Japanese equity markets would adversely impact the value of the investment portfolio. The Company's investments are listed and readily realisable and can be sold to meet its liabilities as they fall due, the main liability currently being the bank borrowings. The Directors have also considered the Company's leverage and liquidity in the context of the unsecured fixed term loan facilities of ¥7.2bn and ¥9.3bn expiring in 2020 and 2024 respectively. Specific leverage and liquidity stress testing was conducted during the year. In addition, all of the key operations required by the Company are outsourced to third party service providers and it is reasonably considered that alternative providers could be engaged at relatively short notice.

Based on the Company's processes for monitoring revenue projections, share price 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.

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 25.

Gender Representation

The Board comprises six Directors, five male and one female. The Company has no employees. The Board's policy on diversity is set out on page 24.

Environmental, Social and Governance Policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 25.

The Company considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a slavery and human trafficking statement. In any event, the Company considers its supply chains to be of low risk as its suppliers are typically professional advisers. A statement by the Managers under the Act has been published on the Managers' website at **www.bailliegifford.com**.

Future Developments of the Company

The outlook for the Company for the next 12 months is set out in the Chairman's Statement on page 3 and the Managers' Report on page 11.

Managers' Report

Philosophy

As noted by the Chairman, this year we have had a change of portfolio manager for the first time in many years. Consequently, we thought it would be opportune briefly to restate our philosophy.

We believe in genuinely long-term growth investing. This means maximising returns by only investing in companies in which we have real conviction rather than being distracted by an index. It means investing where there are opportunities regardless of the size of the company; resulting in a bias towards smaller companies, which often have the best growth prospects, but being open-minded to larger ones where they meet our criteria. It also means holding companies for long time periods so that our clients benefit from the significant increases in business value that can occur over many years in growth companies.

Baillie Gifford is a partnership with a sole focus on asset management. This structure means that we are resilient to external pressures and answerable only to our clients. It provides the stability that we need to be able to invest for the long haul. Baillie Gifford Japan Trust launched in 1981 and in all those years there have been only two previous portfolio managers.

We believe in the investment trust structure. The permanent capital, ability to use gearing over the long-term, investment flexibility afforded by the mandate and Board oversight combine to give an excellent vehicle for compounding wealth. Furthermore, we remain committed to sharing the benefits of scale with shareholders over the long-term.

Performance

Over the past year the NAV per share with borrowings deducted at fair value has increased by 22.2% to 834.0p which compares very favourably to the rise in the Company's benchmark of 7.8%. Baillie Gifford believes that performance should be measured over longer periods and over five years the NAV has outpaced the benchmark by 8.0% p.a. and over ten years by 8.1% p.a., demonstrating the benefit to shareholders of an active, long-term, growth orientated approach.

The Company's total assets increased to just over £870m, a rise of over £200m during the year, due to a combination of outperformance, a strong TOPIX and share issuance. A larger trust will be of benefit to shareholders as fixed costs are spread over a broader base and due to the tiered fee structure a larger proportion of the assets are charged a lower fee. Consequently ongoing charges fell from 0.78% last year to 0.73% this year.

The main driver of returns was stock picking. The Company also borrows in yen to invest in stocks and this decision was helpful given the strong absolute performance in yen. Finally, the rise in the TOPIX in yen terms contributed positively. The yen weakened a little (1.6%) against sterling to ¥144.1 per £1, fractionally reducing the return in sterling.

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

Performance is primarily driven by individual company share prices so we think it is most meaningful to list the top ten and bottom ten contributors to performance over one and five years. Once again we can see the asymmetric nature of stock returns; which means that a good idea can do much more to help returns than a bad idea can hinder them. Over the last year the largest contributor to performance (SBI) delivered more than double the performance that the worst (Rakuten) subtracted. Over five years each of the top ten contributors individually delivered more performance than the worst subtracted. Therefore we continue to believe that it is important for us to focus on the upside potential of individual stocks and stay the course when we have found a good idea.

We have had a number of successes in the Internet area this year including SBI (online broker and venture capital investor), CyberAgent (internet advertising and content) and Digital Garage (internet investor). However, we also had successes in diverse areas including Katitas (real-estate), Outsourcing (staffing) and SanBio (stem-cell treatment). None of these companies are currently well-known outside Japan, reflecting our philosophy of investing where the opportunities are.

At all times we strive to pay attention to the long-term prospects of businesses rather than paying undue attention to share prices. Last year both Rakuten and Suruga Bank were disappointing in share price terms. During the year we reviewed Rakuten; noting that the opportunity available to the company is large and the probability of success significant we concluded that increasing the holding was appropriate. In contrast, significant deficiencies in the management of Suruga Bank came to light during the year and since we no longer have conviction in the company's prospects we sold the shares.

In total we bought eight new holdings during the year and sold eight holdings. Turnover was 15.6% during the year. The continued issuance of shares also allowed an element of re-shaping the portfolio without needing to sell anything.

We continue to back entrepreneurialism in Japan. Two of the new holdings, Katitas and Mercari, were bought in their IPO (Initial Public Offering) during the year. Meanwhile another three, Noritsu Koki, Rizap and JAFCO, are companies that have been transformed by more dynamic management.

We also continue to favour businesses with solid franchises and a long growth runway. Zenkoku Hosho, Sato Holdings and Shimano are each leaders in their respective niches and companies where we believe that there are many years of growth to come.

Investment Environment

The over-arching theme domestically is a normalising of the investment environment as many historic issues have been improved.

Japanese corporate governance has continued to progress and a concrete output of this is that shareholder returns through dividends and buybacks have continued to rise. While areas for improvement remain, especially regarding cash hoarding, we should also acknowledge that the absence of scrip dividends, very low options issuance and lack of excessive pay for managers are helpful for minority shareholders. Meanwhile the political situation is quiet as Mr Abe continues his journey to become Japan's longest serving Prime Minister.

We have also observed that conversations with the word 'deflation' seem to have become vanishingly rare. While there continues to be lively debate around whether the Bank of Japan will be able to achieve 2% inflation we think that the most important thing is to have moved beyond the destructive effects of deflation. Wages are rising, unemployment is very low, land prices in the major urban areas are rising, and bank lending is growing. Meanwhile corporate confidence is strong, evidenced by strong rises in capital expenditure.

Where might the challenges come from? The most obvious today are changes to established international norms. Up to a point a rise in populism is part of normal functioning democracy; beyond that it can lead to difficulties, trade wars and worse. Another risk is that of recession. Since the Global Financial Crisis of a decade ago we have enjoyed a largely synchronous global economic expansion creating significant opportunities for Japanese businesses. Cycles are difficult to predict but inevitable.

Outlook

While volatility and set-backs from time to time will happen, the most important thing for us is to have access to quality growth companies. Many of the companies that we own are still nearer the start than the end of their growth. The Internet continues to allow companies to compete against incumbents with a powerful combination of a lower cost-base and better service. Robotics and automation businesses listed in Japan have world-leading competitiveness and a very large growth opportunity as they enter new industries. Finally, new categories of growth companies continue to appear – emerging healthcare being a recent example.

We continue to be excited about the opportunities for growth stock-picking in Japan and believe that a well-executed strategy can deliver results. Your Company is positioned to benefit from long-term technology changes and we will strive to build on its heritage of success.

Baillie Gifford
24 October 2018

Review of Investments

Top Ten Holdings

SoftBank

5.7% of total assets

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

SBI

3.6% of total assets

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.

Outsourcing

3.0% of total assets

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

CyberAgent

2.8% of total assets

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 a new online streaming video service. 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.

Start Today

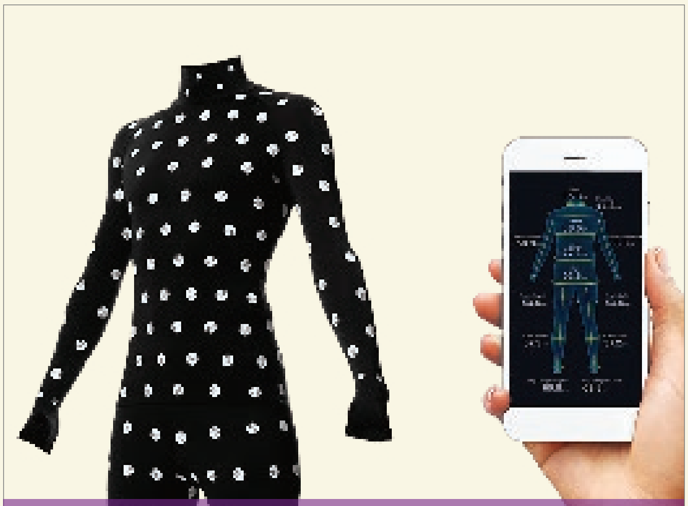
2.7% of total assets

The Japanese e-commerce market continues to expand rapidly and Start Today has emerged as the leading online apparel retailer. The company's shopping mall style website is aimed at younger, more fashion conscious consumers and handles items from numerous brands. The huge variety of garments and accessories on offer has allowed Start Today to achieve a dominant position within its niche market. The large number of site members in turn is attracting more brands to the site, creating a virtuous circle. The expanding scale of operations has allowed the company to develop a strong distribution network which facilitates next day delivery. The company continues to innovate in order to enhance its appeal with customers. It recently introduced the Zozosuit which allows customers to obtain precise measurements and have clothing made to fit them exactly. Online penetration in fashion retail remains low in Japan compared to other developed markets, giving Start Today a very large growth opportunity.

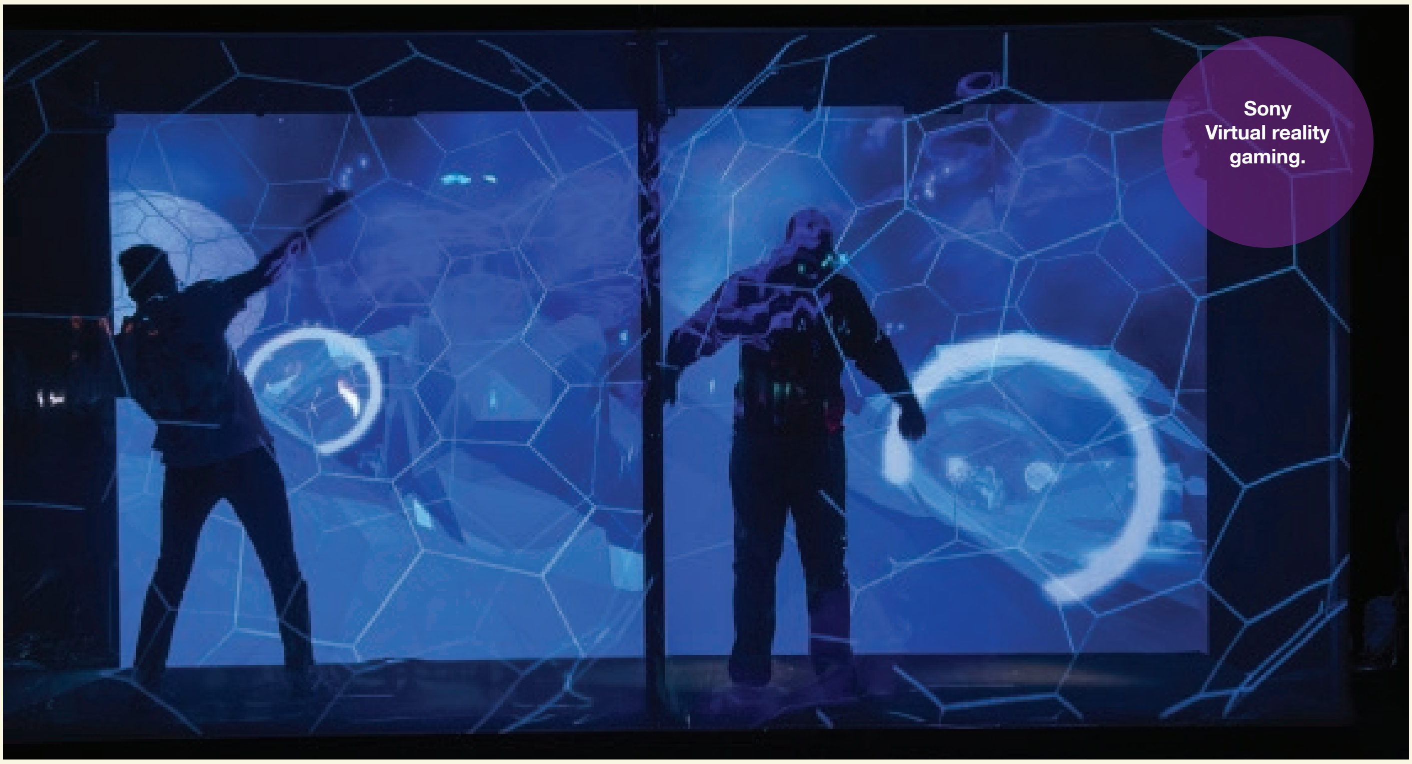
Sysmex

2.5% of total assets

Sysmex 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 Sysmex'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.



Start Today
Zozosuit with body measuring smartphone app.



© Bloomberg/Getty Images.

M3
2.5% of total assets

M3 provides online marketing support for pharmaceutical companies. It runs a medical website with an interactive portal where doctors can log in, source information and pick up targeted messages about relevant new drug developments. This online marketing is much cheaper for the pharma companies than face-to-face contact, and also allows for more efficient time-management by doctors. Growth has been very rapid in Japan, where M3 is now the dominant platform. Although still a relatively small part of group revenues, M3 has also built promising positions in the US and selected other markets with potential for these to grow substantially. The company also supports and invests in early stage medical technologies such as genome diagnostics, cancer tests and A.I. medical technologies.

Rakuten
2.5% of total assets

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 decided to become a Mobile Network Operator (MNO) in Japan which will necessitate significant spending but where our research suggests that there is significant potential for success. The dynamic founder, Hiroshi Mikitani, continues to own well over a third of the shares outstanding closely aligning the interests of management and shareholders.

Inpex
2.3% of total assets

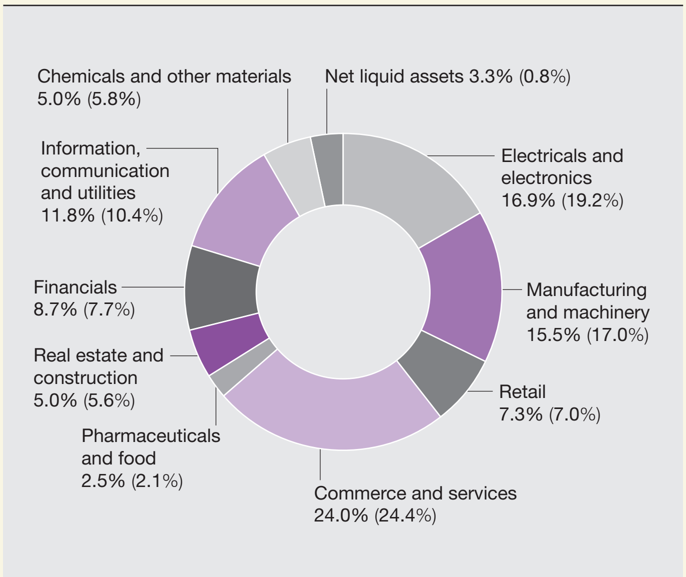
Inpex is Japan's largest oil and gas exploration and production company. Its most important development asset is the Ichthys Liquefied Natural Gas (LNG) field off the coast of Australia which, though majority controlled by Inpex, will be operated by Total. We feel that Ichthys has scope to expand production once in operation with minimal additional investment and this will substantially improve the field's economics. Although there have been some delays to the completion date, the company is in the process of starting production which we believe will lead to substantial earnings growth.

Sony
2.3% of total assets

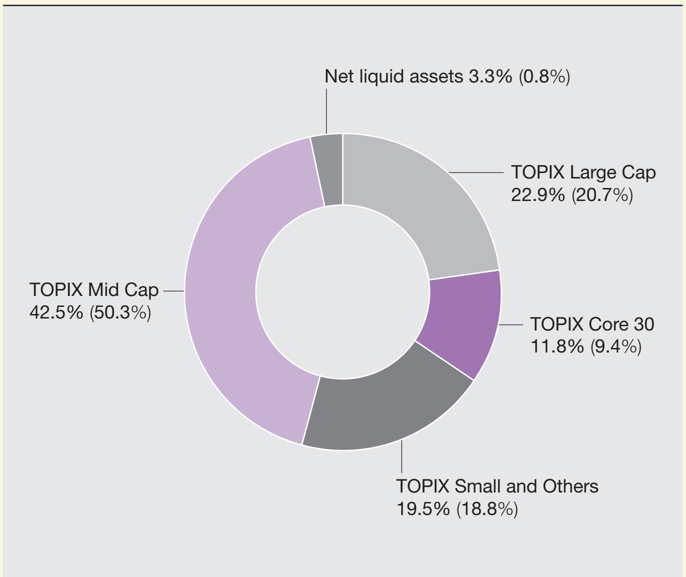
Sony is a major owner of game, music and film content. The PlayStation has established itself as the leading console and platform for networked games and is a front-runner in virtual reality (VR) gaming. Through Sony Music and EMI, the company is the world's largest music publisher and, through Sony Pictures, Columbia and TriStar, 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 are also very positive about recent management changes, most notably the appointment as CEO of Kenichiro Yoshida, who previously as CFO directed the company's restructuring and repositioning.

Distribution of Total Assets

Industry 2018 (2017)



Listings 2018 (2017)



Stock Level Attribution

Top Ten Relative Stock Contributors

Year to 31 August 2018

Name	Portfolio (average weight) %	Index (average weight) %	Contribution %
SBI	3.2	0.1	1.9
Katitas	1.1	0.0	1.4
CyberAgent	2.6	0.1	1.2
M3	2.5	0.2	1.0
Digital Garage	2.0	0.0	0.9
Outsourcing	3.3	0.0	0.9
Shimadzu	2.0	0.1	0.7
SanBio	0.8	0.0	0.7
iStyle	1.2	0.0	0.7
MonotaRo	0.8	0.1	0.7

Bottom Ten Relative Stock Contributors

Year to 31 August 2018

Name	Portfolio (average weight) %	Index (average weight) %	Contribution %
Rakuten	1.9	0.2	(0.7)
Suruga Bank	0.7	0.1	(0.5)
Cyberdyne	0.6	0.0	(0.4)
Lifull	1.1	0.0	(0.4)
Toyo Tire & Rubber	1.8	0.0	(0.4)
Renesas Electronics	0.9	0.0	(0.4)
Kubota	2.1	0.4	(0.3)
Takara Leben	0.5	0.0	(0.2)
Mazda Motor	0.9	0.2	(0.2)
Subaru	1.4	0.4	(0.2)

Top Ten Relative Stock Contributors

5 Years to 31 August 2018

Name	Portfolio (average weight) %	Index (average weight) %	Contribution %
Outsourcing	1.6	0.0	3.5
Start Today	2.2	0.1	2.8
CyberAgent	2.3	0.1	2.3
IRISO Electronics	2.4	0.0	2.2
Yaskawa Electric	2.6	0.1	2.2
Misumi	2.7	0.1	2.2
SBI	2.3	0.1	2.0
Persol Holdings	2.7	0.1	1.9
M3	2.5	0.1	1.9
Sysmex	2.9	0.2	1.8

Bottom Ten Relative Stock Contributors

5 Years to 31 August 2018

Name	Portfolio (average weight) %	Index (average weight) %	Contribution %
Rakuten	2.7	0.3	(1.4)
Mazda Motor	1.8	0.3	(1.1)
Tokyo Tatemono	2.0	0.1	(1.1)
Modec	0.7	0.0	(0.9)
Aeon Mall	0.6	0.1	(0.8)
Sumitomo Mitsui Trust	1.9	0.4	(0.8)
Takara Leben	0.7	0.0	(0.6)
Inpex	1.9	0.3	(0.5)
Kakaku.com	0.8	0.1	(0.5)
Nintendo	0.0	0.7	(0.5)

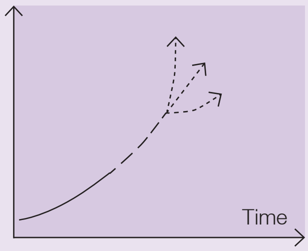
Source: StatPro and relevant underlying index providers. Baillie Gifford Japan Trust relative to TOPIX total return, in sterling terms. See disclaimer on page 56.

Equity Portfolio by Growth Category

As at 31 August 2018

Secular Growth*

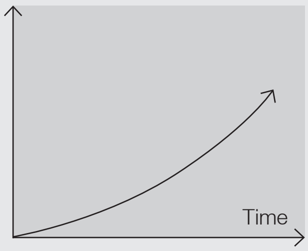
Earnings



	% of total assets
SBI	3.6
Outsourcing	3.0
CyberAgent	2.8
Start Today	2.7
M3	2.5
Sysmex	2.5
Rakuten	2.5
Inpex	2.3
Kubota	2.2
Misumi Group	2.1
Recruit Holdings	2.1
Yaskawa Electric	2.1
GMO Internet	2.0
Nidec	2.0
Shimadzu	1.9
Don Quijote	1.9
Fanuc	1.7
H.I.S.	1.6
SMC	1.4
Digital Garage	1.3
MonotaRO	1.3
Sato	1.3
iStyle	1.2
SanBio	1.2
Toyota Tsusho	1.1
Broadleaf	1.0
Subaru	1.0
Topcon	0.8
Infomart	0.7
Lifull	0.7
IRISO Electronics	0.6
Keyence	0.6
Noritsu Koki	0.6
Peptidream	0.6
Nippon Ceramic	0.5
Rizap	0.5
Shimano	0.5
Cyberdyne	0.4
Pigeon	0.4
Mercari	0.3
Healios K.K.	0.2
Total	**59.7**

Growth Stalwarts*

Earnings



	% of total assets
Nitori	1.4
Zenkoku Hosho	1.4
Park24	1.3
Fukuoka Financial	0.9
Mitsubishi UFJ Lease & Finance	0.6
Asics	0.6
Sawai Pharmaceutical	0.5
Secom	0.5
Total	**7.2**

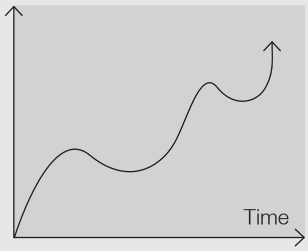
Special Situations*

Earnings

	% of total assets
SoftBank	5.7
Sony	2.3
Tokyo Tatemono	1.3
Renesas Electronics	0.7
JAFCO	0.5
Colopl	0.3
Total	**10.8**

Cyclical Growth*

Earnings



	% of total assets
Persol Holdings	2.2
Itochu	1.7
Sumitomo Mitsui Trust	1.7
Disco	1.5
Murata Manufacturing	1.5
Nifco	1.5
Mitsubishi Electric	1.4
Toyo Tire & Rubber	1.4
Advantest	1.1
Sumitomo Metal Mining	1.1
Iida Group	1.0
Isuzu Motors	0.9
Invincible Investment	0.8
Katitas	0.6
Mazda Motor	0.6
Total	**19.0**

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

Holding Period

As at 31 August 2018

>10 years	% of total assets
Sysmex	2.5
Rakuten	2.5
Inpex	2.3
Persol Holdings	2.2
Kubota	2.2
Misumi Group	2.1
Shimadzu	1.9
Don Quijote	1.9
Itochu	1.7
H.I.S.	1.6
Mitsubishi Electric	1.4
SMC	1.4
Tokyo Tatemono	1.3
Mitsubishi UFJ Lease & Finance	0.6
IRISO Electronics	0.6
Total	**26.2**

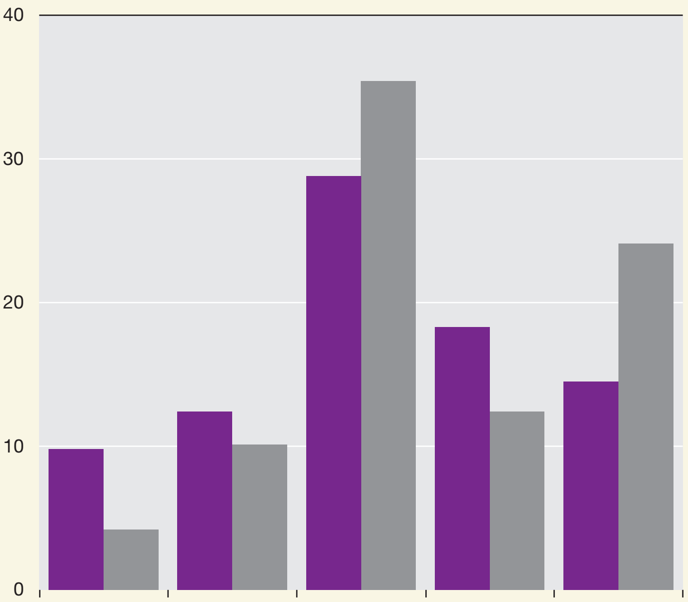
5–10 years	% of total assets
SoftBank	5.7
SBI	3.6
Start Today	2.7
M3	2.5
Yaskawa Electric	2.1
GMO Internet	2.0
Sumitomo Mitsui Trust	1.7
Nifco	1.5
Disco	1.5
Toyo Tire & Rubber	1.4
Nitori	1.4
Digital Garage	1.3
Toyota Tsusho	1.1
Sumitomo Metal Mining	1.1
Advantest	1.1
Subaru	1.0
Fukuoka Financial	0.9
Isuzu Motors	0.9
Lifull	0.7
Asics	0.6
Mazda Motor	0.6
Pigeon	0.4
Total	**35.8**

2–5 years	% of total assets
Outsourcing	3.0
CyberAgent	2.8
Sony	2.3
Recruit Holdings	2.1
Nidec	2.0
Fanuc	1.7
Murata Manufacturing	1.5
Park24	1.3
SanBio	1.2
iStyle	1.2
Broadleaf	1.0
Iida Group	1.0
Topcon	0.8
Infomart	0.7
Sawai Pharmaceutical	0.5
Nippon Ceramic	0.5
Total	**23.6**

<2 years	% of total assets
Zenkoku Hosho	1.4
MonotaRO	1.3
Sato	1.3
Invincible Investment	0.8
Renesas Electronics	0.7
Peptidream	0.6
Noritsu Koki	0.6
Keyence	0.6
Katitas	0.6
Secom	0.5
JAFCO	0.5
Rizap	0.5
Shimano	0.5
Cyberdyne	0.4
Colopl	0.3
Mercari	0.3
Healios K.K.	0.2
Total	**11.1**

Stocks bought within the past year.

Portfolio Characteristics



Source: UBS, sterling, as at 31 August 2018.
*Historic: Trailing 3 years sales growth.
**12 month forward estimate.

Japan Trust
TOPIX

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

List of Investments at 31 August 2018

Name	Business	Value £'000	% of total assets	Absolute † performance %	Relative † performance %
SoftBank	Telecom operator and technology investor	49,705	5.7	14.0	5.7
SBI	Online financial services	30,953	3.6	103.2	88.4
Outsourcing	Employment placement services	26,422	3.0	43.5	33.1
CyberAgent	Japanese internet advertising and content	24,364	2.8	74.5	61.9
Start Today	Internet fashion retailer	23,689	2.7	11.2	3.2
Sysmex	Medical testing equipment	21,658	2.5	40.8	30.6
M3	Online medical database	21,567	2.5	68.9	56.7
Rakuten	Internet retail and financial services	21,524	2.5	(35.8)	(40.5)
Inpex	Oil and gas producer	20,457	2.3	15.0	6.7
Sony	Consumer electronics, films and finance	20,173	2.3	44.8	34.2
Kubota	Agricultural machinery	19,486	2.2	(8.9)	(15.5)
Persol Holdings	Employment and outsourcing services	18,797	2.2	10.2	2.2
Misumi Group	Online distributor of precision machinery parts	18,552	2.1	0.6	(6.7)
Recruit Holdings	Property, lifestyle and HR media	18,126	2.1	53.3	42.1
Yaskawa Electric	Specialist factory automation	17,827	2.1	11.9	3.8
Nidec	Specialist motors	17,723	2.0	27.8	18.5
GMO Internet	Internet conglomerate	17,688	2.0	34.3	24.6
Shimadzu	Precision tools and equipment maker	16,690	1.9	61.8	50.1
Don Quijote	Discount store chain	16,516	1.9	27.9	18.6
Itochu	General trading firm	15,171	1.7	10.0	2.0
Fanuc	Robotics manufacturer	14,822	1.7	2.4	(5.0)
Sumitomo Mitsui Trust	Japanese trust bank and investment manager	14,771	1.7	18.7	10.1
H.I.S.	Discount travel agency and theme parks	14,314	1.6	(1.8)	(8.9)
Disco	Specialist cutting for semiconductors	12,939	1.5	0.7	(6.6)
Nifco	Value-added plastic car parts	12,901	1.5	(3.4)	(10.4)
Murata Manufacturing	Manufactures and sells ceramic applied electronic components	12,619	1.5	14.0	5.7
Nitori	Furniture retail chain	12,489	1.4	(1.8)	(8.9)
Toyo Tire & Rubber	Specialist tyre manufacturer	12,396	1.4	(12.9)	(19.2)
SMC	Producer of factory automation equipment	12,338	1.4	(2.7)	(9.7)
Mitsubishi Electric	Develops, manufactures and markets electronic equipment	12,153	1.4	(7.4)	(14.1)
Zenkoku Hosho	Speciality finance	11,862	1.4	2.2 *	(2.5) *
MonotaRO	Online business supplies	11,318	1.3	84.5	71.1
Digital Garage	Internet business investor	11,137	1.3	73.4	60.8
Park24	Parking, car hire and sharing	11,122	1.3	24.3	15.3
Tokyo Tatemono	Property leasing and development	11,010	1.3	0.8	(6.5)
Sato	Barcode and RFID technology	10,905	1.3	14.6 *	15.5 *
SanBio	Stem cell based stroke treatment	10,774	1.2	177.7	157.6
iStyle	Beauty product review website	10,293	1.2	106.4	91.4
Sumitomo Metal Mining	Smelting and copper, nickel and gold mining	9,964	1.1	(4.8)	(11.7)
Toyota Tsusho	Markets automobiles and other products, Africa focus	9,427	1.1	12.7	4.5
Advantest	Semiconductor testing devices	9,242	1.1	44.6	34.1
Iida Group	Japanese house builder	9,010	1.0	11.0	3.0
Subaru	Niche car brand	8,855	1.0	(12.8)	(19.1)
Broadleaf	Online platform for buying car parts	8,350	1.0	77.3	64.4
Fukuoka Financial	Regional bank	8,213	0.9	30.2	20.8
Isuzu Motors	Lorries and SUVs	7,675	0.9	12.1	4.0
Invincible Investment	Real estate investment trust	7,149	0.8	9.9	1.9
Topcon	GPS systems	7,126	0.8	(0.7)	(7.9)

Name	Business	Value £'000	% of total assets	Absolute † performance %	Relative † performance %
Infomart	Internet platform for restaurant supplies	6,367	0.7	61.7	50.0
Renesas Electronics	Electronic components and semiconductors	6,120	0.7	(24.8)	(30.2)
Lifull	Provides online property information	5,909	0.7	(26.0)	(31.4)
Mitsubishi UFJ Lease & Finance	Leasing services	5,628	0.6	13.4	5.2
Mazda Motor	Car manufacturer	5,572	0.6	(20.0)	(25.8)
IRISO Electronics	Specialist auto connectors	5,403	0.6	14.8	6.4
Peptidream	Drug discovery and development platform	5,267	0.6	11.4	3.3
Noritsu Koki	Holding company with interests in biotech and agricultural products	5,166	0.6	12.2 *	11.6 *
Keyence	Manufacturer of sensors	5,149	0.6	8.2	0.4
Katitas	Real estate services	4,947	0.6	141.2 *	132.5 *
Asics	Sports shoes and clothing	4,906	0.6	1.5	(5.8)
Rizap	Low calorie food supplier and fitness gym operator	4,476	0.5	(3.3) *	(2.2) *
Sawai Pharmaceutical	Generic pharmaceuticals	4,444	0.5	(0.8)	(8.0)
Nippon Ceramic	Electronic component manufacturer	4,139	0.5	2.2	(5.2)
Secom	Security services	4,099	0.5	12.2	4.1
JAFCO	Forms venture capital groups	4,051	0.5	4.6 *	4.3 *
Shimano	Cycling component manufacturer	3,913	0.5	12.6 *	9.3 *
Pigeon	Baby care products	3,674	0.4	25.4	16.3
Cyberdyne	Medical exo-skeletons	3,289	0.4	(40.3)	(44.7)
Mercari	Software development services	2,649	0.3	24.5 *	26.3 *
Colopl	Smartphone gaming and virtual reality	2,506	0.3	(46.9)	(50.8)
Healios K.K.	Regenerative medicine	2,109	0.2	20.8	12.0
Total Investments		**842,045**	**96.7**		
Net Liquid Assets		**28,545**	**3.3**		
Total Assets		**870,590**	**100.0**		
Bank Loans		**(114,486)**	**(13.2)**		
Shareholders' Funds		**756,104**	**86.8**		

† Absolute and relative performance has been calculated on a total return basis over the period 1 September 2017 to 31 August 2018. 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 56.

Past performance is not a guide to future performance.

The Strategic Report which includes pages 2 to 18 was approved by the Board of Directors and signed on its behalf on 24 October 2018.

Nick AC Bannerman
Chairman

Directors and Management

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

Directors

Nick Bannerman

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

Paul Dimond CMG

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

Keith Falconer

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

David Kidd

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

Martin Paling

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

Joanna Pitman

Joanna Pitman was appointed a Director on 28 June 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 eight years she has worked as a corporate research analyst focused on Japan. She is vice chair of the Great Britain Sasakawa Foundation, Advisor to the UK Japan Young Science Workshops, a director of the John Kobal Foundation and UK Chair of SAIDIA.

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

Managers and Secretaries

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

Baillie Gifford is one of the largest investment trust managers in the UK and currently manage nine investment trusts. Baillie Gifford also manage unit trusts and Open Ended Investment Companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford total around £178 billion at 23 October 2018. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 44 partners and a staff of around 1,000.

The manager of Baillie Gifford Japan is Matthew Brett, who took over as portfolio manager on 1 May 2018. 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 was appointed as deputy manager on 1 May 2018. 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 2018.

Corporate Governance

The Corporate Governance Report is set out on pages 23 to 25 and forms part of this Report.

Manager and Company Secretaries

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

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

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

Depositary

In accordance with the Alternative Investment Fund Managers (AIFM) Directive, the AIFM must appoint a Depositary to the Company. On 3 April 2018, the legal entity of the Depositary changed from BNY Mellon Trust and Depositary (UK) Limited to The Bank of New York Mellon (International) Limited following an internal reorganisation at The Bank of New York. The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. Following the internal reorganisation at The Bank of New York, the custody function is also now undertaken by The Bank of New York Mellon (International) Limited ('the Custodian') having previously being delegated to The Bank of New York Mellon SA/NV (London Branch).

Directors

Information about the Directors, including their relevant experience, can be found on page 19.

Ms Pitman was appointed to the Board on 28 June 2018 and is required to seek election by shareholders at the Annual General meeting. The Directors believe her considerable experience and knowledge enhances the Board and recommend her election to shareholders.

Japan Trust moved into the FTSE 250 in March 2018 and 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, with the exception of Mr Dimond, who will stand down after the conclusion of the Annual General Meeting, and Ms Pitman as explained above, 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 Bannerman and Mr Paling remain independent notwithstanding having served on the Board for more than nine years, as explained on page 23.

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 2018 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

As a result of a net revenue return of £2,234,000 the revenue reserve has moved from a deficit to a surplus. To ensure investment trust status is maintained, the Company is required to make a dividend distribution and the Board recommends a final dividend of 0.60p per ordinary share. If approved, the recommended final dividend will be paid on 14 December 2018 to shareholders on the register at the close of business on 30 November 2018. The ex-dividend date is 29 November 2018.

Share Capital

Capital Structure

The Company's capital structure consists of 90,459,925 ordinary shares of 5p each at 31 August 2018 (2017 – 83,879,925). There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares.

Capital Entitlement

On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings.

Voting

Each ordinary shareholder present in person or by proxy is entitled to one vote on a show of hands and, on a poll, to one vote for every share held.

Information on the deadlines for proxy appointments can be found on pages 50 and 51.

Major Interests in the Company's Shares

Name	No of ordinary 5p shares held at 31 August 2018	% of issue
Old Mutual plc (indirect)	4,719,268	5.2
Brewin Dolphin Limited (indirect)	4,043,892	4.5
Rathbone Brothers PLC (indirect)	3,412,614	3.8

There have been no changes to the major interests in the Company's shares intimated up to 23 October 2018.

Share Issuance Authority

At the last Annual General Meeting, the Directors were granted authority to issue shares up to an aggregate nominal amount of £1,419,248.75 and to issue shares or sell shares held in treasury on a non-pre-emptive basis for cash up to an aggregate nominal amount of £425,774.63. These authorities are due to expire at the Annual General Meeting on 6 December 2018.

Resolution 12 in the Notice of Annual General Meeting seeks to renew the Directors' general authority to issue shares up to an aggregate nominal amount of £1,519,165.41. This amount represents 33.33% of the Company's total ordinary share capital in issue at 23 October 2018 and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 12 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 13, 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 £455,749.62 (representing 10% of the issued ordinary share capital of the Company as at 23 October 2018). The authorities sought in Resolutions 12 and 13 will continue until the conclusion of the Annual General Meeting to be held in 2019 or on the expiry of 15 months from the passing of this Resolution, if earlier.

Such authorities will only be used to issue shares or re-sell shares from treasury at a premium to net asset value and only when the Directors believe that it would be in the best interests of the Company to do so. The Directors believe that the ability to buy back shares at a discount and re-sell them or issue new shares at a premium are useful tools in smoothing supply and demand. During the year to 31 August 2018 the Company issued, in aggregate, 6,580,000 shares at a premium to net asset value on 41 separate occasions at an average price of 805.16 pence per share raising proceeds of £53,086,000. Between 1 September and 23 October 2018, the Company issued a further 690,000 shares at a premium to net asset value raising proceeds of £5,715,000. No shares were held in treasury as at 23 October 2018.

Market Purchases of Own Shares

At the last Annual General Meeting the Company was granted authority to purchase up to 12,764,723 ordinary shares (equivalent to 14.99% of its issued share capital), such authority to expire at the 2018 Annual General Meeting. The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases up to 13,663,373 ordinary shares representing approximately 14.99% of the Company's ordinary shares in issue at the date of passing of the Resolution, such authority to expire at the Annual General Meeting of the Company to be held in 2019.

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

The principal reasons for share buy-backs are:

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

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

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

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

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

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

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

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

(i) 5 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 14 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 £150,000 per annum in aggregate, or such larger amount as may be agreed by the Company by ordinary resolution. The Board is seeking shareholders' approval at the forthcoming AGM to increase the aggregate limit, which was last increased in 2010, to £200,000 per annum to accommodate the possibility of a temporary increase in the number of Directors as a result of Board refreshment and with a view to creating suitable headroom for future increases in fee levels. Your attention is drawn to Resolution 15 in the Notice of the Annual General Meeting on page 50.

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 11 in the Notice of Annual General Meeting, which proposes that the Company be continued until the 2019 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 18 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

Following the conclusion of the formal audit tender process held during the financial year ending 31 August 2017, the proposed appointment of KPMG LLP as Auditor was approved by shareholders at the Annual General Meeting held on 30 November 2017. 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 23 October 2018.

Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Bribery Act

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Managers also adopt a zero tolerance approach and have policies and procedures in place to prevent bribery.

Criminal Finances Act 2017

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

Recommendation

The Directors consider each resolution being proposed at the Annual General Meeting to be in the best interests of the Company and its shareholders as a whole and they unanimously recommend that all shareholders vote in favour of them, as they intend to do where possible in respect of their own beneficial holdings of shares which amount, in aggregate, to 57,372 shares, representing approximately 0.06% of the current issued share capital of the Company.

On behalf of the Board
Nick AC Bannerman
Chairman
24 October 2018

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2016 UK Corporate Governance Code (the 'Code') which can be found at **www.frc.org.uk** and the relevant principles of the Association of Investment Companies Code of Corporate Governance (the 'AIC Code') were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at **www.theaic.co.uk**.

Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code. The Code includes provisions relating to the role of the chief 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 26).

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 2018, the Board comprises six Directors, all of whom are non-executive. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

The executive responsibility for investment management has been delegated to the Company's Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited, and, in the context of a Board comprising only non-executive Directors, there is no chief executive officer. Mr Dimond is the Senior Independent Director. Mr Paling will become the Senior Independent Director following Mr Dimond's retirement at the conclusion of the Annual General Meeting on 6 December 2018.

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 19.

There is an agreed procedure for Directors to seek independent professional advice, if necessary, at the Company's expense.

Appointments to the Board

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for inspection on request.

Under the provisions of the Company's Articles of Association, a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. Directors are required to submit themselves for re-election at least once every three years and Directors who have served for more than nine years offer themselves for re-election annually. However in March 2018 the Company moved into the FTSE 250 and as a result, all Directors will be subject to annual election by shareholders to comply with Corporate Governance Code rules.

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

Meetings

There is an annual cycle of Board meetings which is designed to address, in a systematic way, overall strategy, review of investment policy, investment performance, marketing, revenue budgets, dividend policy and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively. The table below shows the attendance record for the Board and Committee meetings held during the year. The Annual General Meeting was attended by all Directors.

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	**5**	**2**	**2**
NAC Bannerman	5	–*	2
PS Dimond	5	2	2
JKR Falconer	4	2	2
DP Kidd	5	2	2
MH Paling	5	2	2
JB Pitman (appointed 28 June 2018)	1 †	–	–

* Mr Bannerman is not a member of the Audit Committee.

† Ms Pitman was in attendance at the Board Meeting held on 28 June 2018 and appointed immediately following the meeting.

Nomination Committee

The Nomination Committee consists of the whole Board and the Chairman of the Board is the Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference which include reviewing the composition of the Board, identifying and nominating new candidates for appointment to the Board,

Board appraisal, succession planning and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not the potential conflicts should be authorised.

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

Cornforth Consulting was engaged during the year to help identify potential new Directors in advance of Mr Dimond's retirement from the Board at the conclusion of this year's Annual General Meeting. Cornforth Consulting has no other connection with the Company or its Directors.

The Committee identified the skills and experience that would be required, having due regard for the benefits of diversity on the Board, and candidates were interviewed from a shortlist of names provided by Cornforth Consulting. Ms Joanna Pitman was identified as the preferred candidate due to her knowledge of Japan. Ms Pitman was appointed to the Board on 28 June 2018.

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

Performance Evaluation

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

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

Induction and Training

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

Remuneration

As all the Directors are non-executive, there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 28 and 29.

Audit Committee

The report of the Audit Committee is set out on pages 26 and 27.

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 (BNY Mellon Trust & Depositary (UK) Ltd prior to 3 April 2018), as explained on page 20 acts as the Company's Depositary, and Baillie Gifford & Co Limited as AIFM.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. Following the change of Depositary on 3 April 2018, as explained on page 20, the Company's Depositary also acts as the Company's Custodian (this function having previously been delegated to The Bank of New York Mellon SA/NV (London Branch). The Custodian prepares a report on its key controls and safeguards which is independently reviewed by KPMG LLP. The 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 Depositary provides the Audit Committee with a report on its monitoring activities.

The AIFM has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor compliance with risk limits. The AIFM has a risk management policy which covers the risks associated with the management of the portfolio, and the adequacy and effectiveness of this policy is reviewed and approved at least annually. This review includes the risk management processes and systems and limits for each risk area.

The risk limits, which are set by the AIFM and approved by the Board take into account the objectives, strategy and risk profile of the portfolio. These limits, including leverage (see page 56), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing are escalated to the AIFM and reported to the Board along with remedial measures being taken.

Going Concern

In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 18 to the Financial Statements. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis.

In accordance with the Company's Articles of Association, shareholders have the right to vote annually at the Annual General Meeting on whether to continue the Company. The Directors have no reason to believe that the continuation resolution will not be passed at the Annual General Meeting. Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal risks and other matters set out in the Viability Statement on 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, Canaccord Genuity (see contact details on back cover).

The Company's Annual General Meeting provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the Meeting and is published at **www.japantrustplc.co.uk** subsequent to the meeting. The notice period for the Annual General Meeting is at least twenty working days. Shareholders and potential investors may obtain up-to-date information on the Company from the Managers' website at **www.japantrustplc.co.uk**.

Corporate Governance and Stewardship

The Company has given discretionary voting powers to Baillie Gifford & Co. The Managers vote against resolutions they consider may damage shareholders' rights or economic interests and report their actions to the Board.

The Company believes that it is in the shareholders' interests to consider environmental, social and governance ('ESG') factors when selecting and retaining investments and has asked the Managers to take these issues into account as long as the investment objectives are not compromised. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors could impact long term investment returns. The Managers' Statement of Compliance with the UK Stewardship Code can be found on the Managers' website: **www.bailliegifford.com**. The Managers' policy has been reviewed and endorsed by the Board.

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

On behalf of the Board
Nick AC Bannerman
Chairman
24 October 2018

Audit Committee Report

The Audit Committee consists of all Directors with the exception of Mr NAC Bannerman for the year to 31 August 2018. Mr JKR Falconer is Chairman of the Audit Committee. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. The Committee's authority and duties are clearly defined within its written terms of reference which are available on request from the Company Secretaries and at **www.japantrustplc.co.uk**. The terms of reference are reviewed annually.

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

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

Main Activities of the Committee

The Committee met twice during the year and 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 preliminary results announcement and the Annual and Interim reports;

— the Company's accounting policies and practices;

— the regulatory changes impacting the Company;

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

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

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

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

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

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

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

— 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 96.7% 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 2018 were agreed to external price sources and the portfolio holdings agreed to confirmations from the Company's Custodian.

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

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 24 and 25. 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 2018 or 31 August 2017.

To assess the effectiveness of the external Auditor, the Committee reviewed and considered:

— the Auditor's fulfilment of the agreed audit plan;

— feedback from the Secretaries on the performance of the audit team; and

— the Audit Quality Inspection Report from the FRC.

To fulfil its responsibility for oversight of the external audit process the Committee considered and reviewed:

— the Auditor's engagement letter;

— the Auditor's proposed audit strategy;

— the audit fee; and

— a report from the Auditor on the conclusion of the audit.

Following a competitive tender process, KPMG LLP were 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.

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

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

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 30 to 34.

On behalf of the Board
JKR Falconer
Audit Committee Chairman
24 October 2018

Directors' Remuneration Report

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

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy which is set out below was approved at the Annual General Meeting in November 2017 and no changes to the Policy are proposed.

The Board reviewed the level of fees during the year and it was agreed that, with effect from 1 September 2018, the Chairman's fee would be increased from £33,000 to £36,000, the other Directors' fees would be increased from £24,000 to £26,000 and that the additional fee for the Chairman of the Audit Committee would be increased from £2,500 to £3,500. The fees were last increased on 1 September 2016.

Directors' Remuneration Policy

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

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

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

Limits on Directors' Remuneration

The fees for the non-executive Directors are payable six monthly in arrears and are determined within the limit set out in the Company's Articles of Association which is currently £150,000 per annum in aggregate. Shareholders' approval to increase the limit to £200,000 per annum in aggregate is being sought at the Annual General Meeting (see Resolution 15 on page 50).

The fees paid to Directors in respect of the year ended 31 August 2018 and the expected fees payable in respect of the year ending 31 August 2019 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 2019 £	Fees as at 31 Aug 2018 £
Chairman's fee	36,000	33,000
Non-executive Director fee	26,000	24,000
Additional fee for Chairman of the Audit Committee	3,500	2,500
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	200,000	150,000

Annual Report on Remuneration

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

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 31 to 34.

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	2018 Fees £	2018 Taxable benefits* £	2018 Total £	2017 Fees £	2017 Taxable benefits* £	2017 Total £
NAC Bannerman (Chairman)	33,000	1,236	**34,236**	33,000	593	**33,593**
PS Dimond	24,000	2,570	**26,570**	24,000	2,048	**26,048**
JKR Falconer (Audit Committee Chairman)	26,500	–	**26,500**	26,500	17	**26,517**
DP Kidd	24,000	2,482	**26,482**	24,000	2,240	**26,240**
MH Paling	24,000	2,828	**26,828**	24,000	2,330	**26,330**
JB Pitman (appointed 28 June 2018)	4,185	–	**4,185**	–	–	**–**
	135,685	**9,116**	**144,801**	**131,500**	**7,228**	**138,728**

* 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 23 October 2018.

Name	Nature of interest	Ordinary 5p shares held at 31 August 2018	Ordinary 5p shares held at 31 August 2017
NAC Bannerman	Beneficial	11,512	11,512
PS Dimond	Beneficial	5,098	5,098
JKR Falconer	Beneficial	8,000	8,000
DP Kidd	Beneficial	17,500	17,500
MH Paling	Beneficial	10,000	10,000
JB Pitman	Beneficial	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, 99.5% were in favour, 0.3% were against and votes withheld were 0.2%. 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

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. The Directors' remuneration for the year is set out on the previous page. There were no distributions to shareholders by way of dividend or share repurchases during the year (2017 – none).

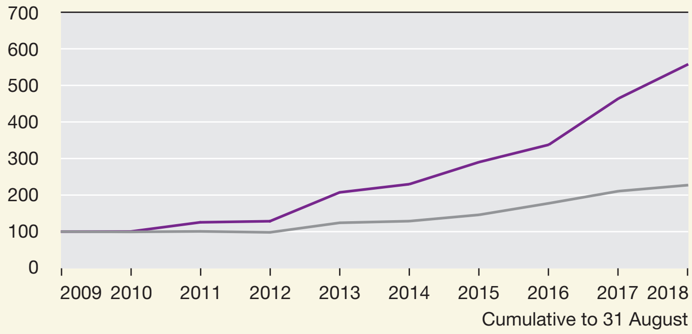
Company Performance

The following graph compares the share price total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total shareholder return on a notional investment made up of shares in the component parts of the TOPIX total return (in sterling terms). This index was chosen for comparison purposes as it is the index against which the Company has measured its performance over the period covered by the graph.

Performance Graph

(figures rebased to 100 at 31 August 2009)

Past performance is not a guide to future performance.



Source: Thomson Reuters/Baillie Gifford and any relevant underlying index providers. See disclaimer on page 56.

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 28 and 29 was approved by the Board of Directors and signed on its behalf on 24 October 2018.

Nick AC Bannerman
Chairman

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

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they 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 period. In preparing these Financial Statements, the Directors are required to:

— select suitable accounting policies and then apply them consistently;

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

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

— 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, 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;

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

— 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
Nick AC Bannerman
24 October 2018

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.

KPMG

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 2018 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity 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 Company's affairs as at 31 August 2018 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 Standard 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 appointed as auditor by the shareholders on 30 November 2017. This is the first year of engagement. 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: financial statements as a whole	£8.75m 1% of Total Assets
Risks of material misstatement	
Risk	Carrying amount of listed equity investments

2. Key audit matter: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, 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 in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results 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 is incidental to that opinion, and we do not provide a separate opinion on this matter.

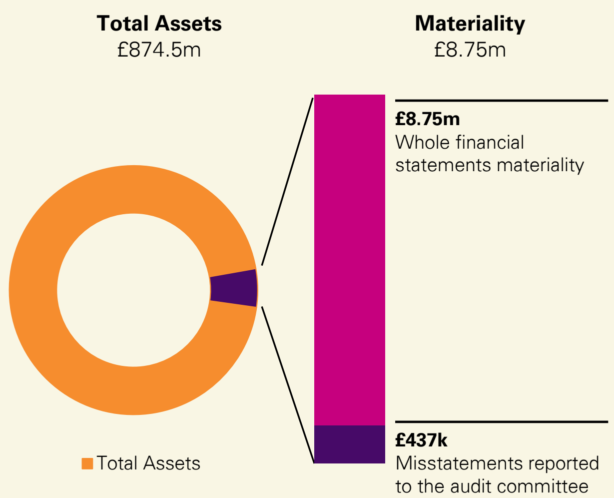
	The risk	Our response
Carrying Amount of Listed Equity Investments (£842.0 million) *Refer to page 26 (Audit Committee Report), page 39 accounting policy) and page 42 (financial disclosures)*	**Low risk, high value:** The Company's portfolio of listed equity investments makes up 96.3% of the Company's total assets (by value) and is one of the key drivers of results. We do not consider these investments to be at 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.	Our procedures included: — **Tests of Detail:** Agreeing the valuation of 100 per cent of investments in the portfolio to externally quoted prices; and — **Enquiry of custodians:** Agreeing 100 per cent of investment holdings in the portfolio to independently received third party confirmations from investment custodians.. **Our results** — We found the carrying amount of listed equity investments to be acceptable.

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 £8.75m, determined with reference to a benchmark of total assets, of which it represents 1%.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £437,000, 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 all performed at Baillie Gifford's office in Edinburgh.



KPMG

4. We have nothing to report on going concern

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 25 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

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 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 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.

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 Statement does not properly disclose a departure from the eleven 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.

KPMG

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 30, 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 or 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 sector experience and through discussion with the Directors, the manager and the administrator (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements, including financial reporting (including related company legislation) as well as the Company's 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. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team, which included individuals with experience relevant to those laws and regulations, and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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. 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 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
Saltire Court
20 Castle Terrace
Edinburgh
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24 October 2018

KPMG

Income Statement

For the year ended 31 August

	Notes	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000
Gains on investments	9	–	124,982	**124,982**	–	111,160	**111,160**
Currency gains	14	–	581	**581**	–	2,997	**2,997**
Income	2	10,874	–	**10,874**	8,480	–	**8,480**
Investment management fee	3	(4,354)	–	**(4,354)**	(3,179)	–	**(3,179)**
Other administrative expenses	4	(678)	–	**(678)**	(592)	–	**(592)**
Net return before finance costs and taxation		5,842	125,563	**131,405**	4,709	114,157	**118,866**
Finance costs of borrowings	5	(2,521)	–	**(2,521)**	(1,626)	–	**(1,626)**
Net return on ordinary activities before taxation		3,321	125,563	**128,884**	3,083	114,157	**117,240**
Tax on ordinary activities	6	(1,087)	–	**(1,087)**	(848)	–	**(848)**
Net return on ordinary activities after taxation		2,234	125,563	**127,797**	2,235	114,157	**116,392**
Net return per ordinary share	7	**2.54p**	**142.51p**	**145.05p**	**2.80p**	**142.75p**	**145.55p**
Note: Dividends payable in respect of the year	8	**0.60p**			**Nil**		

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

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

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

The accompanying notes on pages 39 to 48 are an integral part of the Financial Statements.

Balance Sheet

As at 31 August

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		842,045		652,597
Current assets					
Debtors	10	4,700		788	
Cash and cash equivalents	18	27,788		10,585	
		32,488		11,373	
Creditors					
Amounts falling due within one year	11	(3,943)		(37,980)	
Net current assets/(liabilities)			28,545		(26,607)
Total assets less current liabilities			870,590		625,990
Creditors					
Amounts falling due after more than one year	12		(114,486)		(50,769)
Net assets			**756,104**		**575,221**
Capital and reserves					
Share capital	13		4,523		4,194
Share premium account	14		175,455		122,698
Capital redemption reserve	14		203		203
Capital reserve	14		575,448		449,885
Revenue reserve	14		475		(1,759)
Shareholders' funds			**756,104**		**575,221**
Net asset value per ordinary share*	15		**835.8p**		**685.8p**

The Financial Statements of The Baillie Gifford Japan Trust PLC (Company registration number SC075954) on pages 35 to 48 were approved and authorised for issue by the Board and were signed on 24 October 2018.

Nick AC Bannerman
Chairman

The accompanying notes on pages 39 to 48 are an integral part of the Financial Statements.

* See Glossary of Terms on page 57.

Statement of Changes in Equity

For the year ended 31 August 2018

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 September 2017		4,194	122,698	203	449,885	(1,759)	**575,221**
Shares issued	14	329	52,757	–	–	–	**53,086**
Net return on ordinary activities after taxation	14	–	–	–	125,563	2,234	**127,797**
Shareholders' funds at 31 August 2018		**4,523**	**175,455**	**203**	**575,448**	**475**	**756,104**

For the year ended 31 August 2017

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

The accompanying notes on pages 39 to 48 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 August

	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Cash flows from operating activities				
Net return on ordinary activities before taxation	128,884		117,240	
Net gains on investments	(124,982)		(111,160)	
Currency gains	(581)		(2,997)	
Finance costs of borrowings	2,521		1,626	
Overseas withholding tax	(1,051)		(834)	
Changes in debtors and creditors	(76)		(3)	
Cash from operations		4,715		3,872
Interest paid		(2,292)		(1,611)
Net cash inflow from operating activities		2,423		2,261
Cash flows from investing activities				
Acquisitions of investments	(183,574)		(73,979)	
Disposals of investments	112,702		35,795	
Exchange differences on settlement of investment transactions	791		(46)	
Net cash outflow from investing activities		(70,081)		(38,230)
Cash flows from financing activities				
Shares issued	53,086		33,832	
Bank loans drawn down	62,873		10,360	
Bank loans repaid	(30,402)		–	
Net cash inflow from financing activities		85,557		44,192
Increase in cash and cash equivalents		17,899		8,223
Exchange movements		(696)		(111)
Cash and cash equivalents at start of period		10,585		2,473
Cash and cash equivalents at end of period*		**27,788**		**10,585**

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

The accompanying notes on pages 39 to 48 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 2018 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, on the assumption the continuation vote is passed by shareholders at the forthcoming Annual General Meeting, under the historical cost convention, modified to include the revaluation of fixed asset investments and derivatives, financial instruments at fair value through profit or loss, and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 will be retained.

The Financial Statements have been prepared in accordance with the Companies Act 2006, applicable UK Accounting Standards and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' issued in November 2014 and updated in February 2018 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 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) Interest from fixed interest securities is recognised on an effective yield basis (none were held in the period).

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

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

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

(e) Expenses

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

(f) Finance Costs

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

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

(g) Deferred Taxation

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

(h) Foreign Currencies

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

(i) Capital Reserve

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

(j) Significant Estimates and Judgements

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

2 Income

	2018 £'000	2017 £'000
Income from investments		
Overseas dividends	10,874	8,480
Total income	**10,874**	**8,480**
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	10,874	8,480
Total income	**10,874**	**8,480**

3 Investment Management Fee – all charged to revenue

	2018 £'000	2017 £'000
Investment management fee	**4,354**	**3,179**

Details of the Investment Management Agreement are disclosed on page 20. The annual management fee is 0.95% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remaining net assets, calculated and payable quarterly.

4 Other Administrative Expenses – all charged to revenue

	2018 £'000	2017 £'000
General administrative expenses	521	440
Directors' fees (see Directors' Remuneration Report on page 28)	136	132
Auditor's remuneration – statutory audit of Company's annual Financial Statements	21	20
	678	**592**

There were no fees paid to the Auditor during the year in respect of non-audit services (2017 – nil).

5 Finance Costs of Borrowings

	2018 £'000	2017 £'000
Interest on bank loans	**2,521**	**1,626**

The bank loan interest disclosed includes £96,000 (2017 – £16,000) paid in respect of yen deposits held at the custodian bank.

6 Tax on Ordinary Activities

	2018 £'000	2017 £'000
Analysis of charge in year		
Overseas taxation	**1,087**	**848**
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% (2017 – 19.581%)		
The differences are explained below:		
Net return on ordinary activities before taxation	128,884	117,240
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017 – 19.581%)	24,488	22,957
Effects of:		
Capital returns not taxable	(23,857)	(22,353)
Income not taxable	(2,066)	(1,661)
Overseas withholding tax	1,087	848
Taxable losses in year not utilised	1,435	1,057
Tax charge for the year	**1,087**	**848**

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

Factors that may affect future tax charges

At 31 August 2018 the Company had a potential deferred tax asset of £6,913,000 (2017 – £5,714,000) on taxable losses which is available to be carried forward and offset against future taxable profits. A deferred tax asset has not been recognised on these losses as it is considered unlikely that the Company will make taxable revenue profits in the future and it is not liable to tax on its capital gains. The potential deferred tax asset has been calculated using a corporation tax rate of 17% (2017 – 17%).

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

	2018 Revenue	2018 Capital	2018 Total	2017 Revenue	2017 Capital	2017 Total
Net return on ordinary activities after taxation	**2.54p**	**142.51p**	**145.05p**	**2.80p**	**142.75p**	**145.55p**

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £2,234,000 (2017 – £2,235,000), and on 88,108,377 (2017 – 79,968,404) 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 £125,563,000 (2017 – £114,157,000), and on 88,108,377 (2017 – 79,968,404) 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 £475,000.

	2018	2017	2018 £'000	2017 £'000
Dividends payable in respect of the year:				
Current year's proposed final dividend (payable 14 December 2018)	**0.60p**	–	**547**	–

9 Fixed Assets – Investments

	2018 £'000	2017 £'000
Financial assets at fair value through profit or loss		
Listed overseas – equity investments	842,045	652,597
Total investments in financial assets at fair value through profit or loss	**842,045**	**652,597**

	Listed equities £'000
Cost of investments held at 1 September 2017	317,755
Investment holding gains at 1 September 2017	334,842
Fair value of investments held at 1 September 2017	**652,597**
Movements in year:	
Purchases at cost	180,767
Sales – proceeds	(116,301)
– gains on sales	66,171
Changes in investment holding gains	58,811
Fair value of investments held at 31 August 2018	**842,045**
Cost of investments held at 31 August 2018	448,392
Investment holding gains at 31 August 2018	393,653
Fair value of investments held at 31 August 2018	**842,045**

The purchases and sales proceeds figures above include transaction costs of £88,000 (2017 – £34,000) and £69,000 (2017 – £21,000) respectively.

	2018 £'000	2017 £'000
Net gains on investments designated at fair value through profit or loss on initial recognition		
Gains on sales	66,171	11,637
Changes in investment holding gains	58,811	99,523
	124,982	**111,160**

Of the gains on sales during the year of £66,171,000 (2017 – £11,637,000), a net gain of £52,276,000 (2017 – net gain of £7,294,000) was included in the investment holding gains at the previous year end.

10 Debtors

	2018 £'000	2017 £'000
Income accrued and prepaid expenses	1,085	763
Sales for subsequent settlement	3,599	–
Other debtors	16	25
	4,700	**788**

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

	2018 £'000	2017 £'000
Purchases for subsequent settlement	2,260	5,067
Bank loans (see note 12)	–	31,731
Other creditors and accruals	1,683	1,182
	3,943	**37,980**

None of the above creditors are financial liabilities designated at fair value through profit or loss. Included in other creditors is £1,140,000 (2017 – £891,000) in respect of the investment management fee.

12 Creditors – amounts falling due after more than one year

	2018 £'000	2017 £'000
Bank loans	**114,486**	**50,769**

Borrowing facilities

	At 31 August 2018 Drawings	At 31 August 2017 Drawings
7 year fixed rate loan facility with ING Bank N.V. for ¥7,200 million, expiring 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%	¥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%	–
5 year revolving loan facility with Scotiabank Europe plc for ¥3,000 million, expiring August 2020	–	¥1,500 million at 1.1638% ¥1,500 million at 1.1598%
3 year revolving loan facility with Scotiabank Europe plc for ¥1,500 million, expired November 2017	–	¥1,500 million at 1.02303%

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

The main covenants relating to the above loans are:

(i) Total borrowings shall not exceed 40% of the Company's net asset value; and

(ii) The Company's minimum net asset value shall be £190 million.

There were no breaches of loan covenants during the year.

13 Share Capital

	2018 Number	2018 £'000	2017 Number	2017 £'000
Allotted, called up and fully paid ordinary shares of 5p each	**90,459,925**	**4,523**	**83,879,925**	**4,194**

During the year, 6,580,000 (2017 – 5,145,000) shares were issued at a premium to net asset value raising proceeds of £53,086,000 (2017 – £33,832,000). At 31 August 2018 the Company had authority to buy back 12,764,723 shares. No shares were bought back during the year. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve.

14 Capital and Reserves

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 September 2017	4,194	122,698	203	449,885	(1,759)	**575,221**
Shares issued	329	52,757	–	–	–	**53,086**
Gains on investments	–	–	–	66,171	–	**66,171**
Changes in investment holding gains	–	–	–	58,811	–	**58,811**
Exchange differences on bank loans	–	–	–	486	–	**486**
Exchange differences on settlement of investment transactions	–	–	–	791	–	**791**
Other exchange differences	–	–	–	(696)	–	**(696)**
Revenue return on ordinary activities after taxation	–	–	–	–	2,234	**2,234**
At 31 August 2018	**4,523**	**175,455**	**203**	**575,448**	**475**	**756,104**

The capital reserve includes investment holding gains of £393,653,000 (2017 – £334,842,000) as disclosed in note 9. The revenue reserve and the capital reserve (to the extent it constitutes realised profits) are distributable.

15 Net Asset Value per Ordinary Share

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

	2018	2017	2018 £'000	2017 £'000
Ordinary shares of 5p	**835.8p**	**685.8p**	**756,104**	**575,221**

Net asset value per ordinary share is based on the net assets as shown above and 90,459,925 (2017 – 83,879,925) ordinary shares, being the number of ordinary shares in issue at the year end.

Deducting borrowings at fair value would have the effect of reducing net asset value per ordinary share from 835.8p to 834.0p. Taking the market price of the ordinary shares at 31 August 2018 of 855.0p, this would have given a premium to net asset value of 2.5% as against 2.3% on the basis of deducting borrowings at par. At 31 August 2017 the net asset value per share after deducting borrowings at fair value was 682.4p. Taking the market price of the ordinary shares at 31 August 2017 of 711.5p, this would have given a premium to net asset value of 4.3% as against 3.7% on the basis of deducting borrowings at par.

16 Contingent Liabilities, Guarantees and Financial Commitments

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

17 Related Party Transactions

The Directors' fees for the year and Directors' shareholdings at 31 August 2018 are detailed in the Directors' Remuneration Report on pages 28 and 29 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 40 and the amount accrued at 31 August 2018 is set out in note 11 on page 43. Details of the Investment Management Agreement are set out on page 20.

18 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 17 and 18.

(i) Currency Risk

The Company's assets, liabilities and income are principally denominated in yen. The Company's functional currency and that in which it reports its results is sterling. Consequently, movements in the yen/sterling exchange rate will affect the sterling value of those items.

The Investment Manager monitors the Company's yen exposure (and any other overseas currency exposure) and reports to the Board on a regular basis. The Investment Manager assesses the risk to the Company of the overseas currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. However, the currency in which a company's share price is quoted is not necessarily the one in which it earns its profits. The movement in exchange rates on overseas earnings may have a more significant impact upon a company's valuation than a simple translation of the currency in which the share price of the company is quoted.

Yen borrowings are used periodically to limit the Company's exposure to anticipated future changes in the yen/sterling exchange rate which might otherwise adversely affect the value of the portfolio of investments. The Company has the authority to use forward currency contracts to limit the Company's exposure if it so chooses to anticipated future changes in exchange rates so that the currency risks entailed in holding the assets are mainly eliminated. No forward currency contracts have been used in the current or prior year.

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

At 31 August 2018	Investments £'000	Cash and cash equivalents £'000	Bank loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Yen	842,045	27,728	(114,486)	1,933	**757,220**
Total exposure to currency risk	842,045	27,728	(114,486)	1,933	**757,220**
Sterling	–	60	–	(1,176)	**(1,116)**
	842,045	**27,788**	**(114,486)**	**757**	**756,104**

* Includes net non-monetary assets of £37,000.

At 31 August 2017	Investments £'000	Cash and cash equivalents £'000	Bank loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Yen	652,597	9,789	(82,500)	(4,556)	**575,330**
Total exposure to currency risk	652,597	9,789	(82,500)	(4,556)	**575,330**
Sterling	–	796	–	(905)	**(109)**
	652,597	**10,585**	**(82,500)**	**(5,461)**	**575,221**

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

Currency Risk Sensitivity

At 31 August 2018, 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 £75,722,000 (2017 – £63,926,000). 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.

18 Financial Instruments (continued)

(ii) Interest Rate Risk

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

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

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

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

The interest rate risk profile of the Company's interest bearing financial assets and liabilities at 31 August 2018 is shown below.

Financial Assets

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

Financial Liabilities

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

	2018 Book value £'000	2018 Weighted average interest rate	2018 Weighted average period until maturity	2017 Book value £'000	2017 Weighted average interest rate	2017 Weighted average period until maturity
Bank loans:						
Yen denominated	**114,486**	**2.0%**	**53 months**	**82,500**	**1.9%**	**24 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 2018 by £156,000 (2017 – £293,000). This is mainly due to the Company's exposure to interest rates on its revolving bank loans. A decrease of 100 basis points would have had an equal but opposite effect. The Company does not hold bonds.

(iii) Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets. The Company's exposure to changes in market prices relates to the fixed asset investments as disclosed in note 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 17 and 18. In addition, various analyses of the portfolio by growth category, length of time held, industrial sector and exchange listing are shown on pages 14 to 16.

111.4% (2017 – 113.5%) of the Company's net assets are invested in Japanese quoted equities. A 10% increase in quoted equity valuations at 31 August 2018 would have increased total net assets and net return on ordinary activities after taxation by £84,205,000 (2017 – £65,260,000). A decrease of 10% would have had an equal but opposite effect.

18 Financial Instruments (continued)

Liquidity Risk

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

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

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

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

	2018 £'000	2017 £'000
In less than one year	–	31,731
In more than one year, but not more than five years	49,958	50,769
In more than five years	64,528	–
	114,486	**82,500**

Credit Risk

This is the risk that a failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss. This risk is managed as follows:

- where the Investment Manager makes an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question;
- the Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Depositary has delegated the custody function to Bank of New York Mellon (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;
- 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:

	2018 £'000	2017 £'000
Cash and cash equivalents	27,788	10,585
Debtors	4,647	759
	32,435	**11,344**

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.

	2018 Book value £'000	2018 Fair* value £'000	2017 Book value £'000	2017 Fair* value £'000
Yen bank loans	**114,486**	**116,111**	**76,051**	**82,500**

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

18 Financial Instruments (continued)

Capital Management

The Company does not have any externally imposed capital requirements other than the loan covenants detailed in note 12 on page 43. 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 21 and 22.

Fair Value of Financial Instruments

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

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

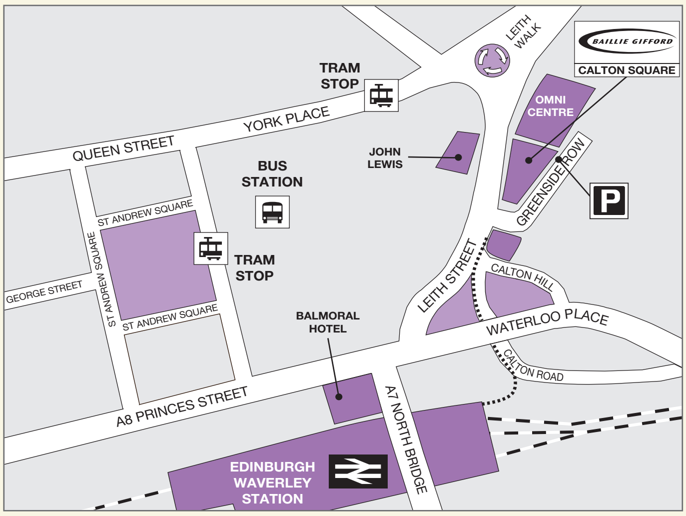
Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

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

The valuation techniques used by the Company are explained in the accounting policies on page 39.

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

Notice of Annual General Meeting



The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 6 December 2018 at 12.30pm.

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

Baillie Gifford may record your call.

	By Rail: Edinburgh Waverley – approximately a 5 minute walk away
	By Bus: Lothian Buses local services include: 1, 5, 7, 8, 10, 12, 14, 15, 15A, 16, 22, 25, 34
	By Tram: Stops at St Andrew Square and York Place
········	Access to Waverley Train Station on foot

Notice is hereby given that the thirty seventh 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, 6 December 2018 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 2018 with the Reports of the Directors and of the Independent Auditor thereon.
2. To approve the Directors' Annual Report on Remuneration for the year to 31 August 2018.
3. To declare a final dividend of 0.60p per ordinary share.
4. To re-elect Mr NAC Bannerman as a Director.
5. To re-elect Mr JKR Falconer as a Director.
6. To re-elect Mr DP Kidd as a Director.
7. To re-elect Mr MH Paling as a Director.
8. To elect Ms JB Pitman as a Director.
9. 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.
10. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
11. 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 2019.
12. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ('Securities') provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £1,519,165.41, 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 13 and 14 as Special Resolutions.

13. That, subject to the passing of Resolution 12 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act'), to allot equity securities (within the meaning of section 560(1) of the Act), for cash pursuant to the authority given by Resolution 11 above, and to sell treasury shares for cash, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power:
    (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the expiry of 15 months from the passing of this Resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and

(b) shall be limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal value of £455,749.62, being approximately 10% of the nominal value of the issued share capital of the Company, as at 23 October 2018.

14. 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 13,663,373, 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 2019, 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.

Special Business

To consider, and, if thought fit, to pass Resolution 15 as an Ordinary Resolution:

15. That, for the purposes of, and in accordance with, Article 105 of the Company's Articles of Association, the fees paid to Directors may not exceed in aggregate £200,000 per annum.

By order of the Board
Baillie Gifford & Co Limited
Managers and Secretaries
6 November 2018

Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the circular and proxy form) to communicate with the Company for any purpose other than those expressly stated.

2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or **www.eproxyappointment.com** no later than 2 days (excluding non-working days) before the time of the meeting or any adjourned meeting.

3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website **www.euroclear.com/CREST**. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 2 days (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

5. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting 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. Shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan or the Baillie Gifford Investment Trust ISA who wish to vote and/or attend the meeting must complete and return the enclosed reply-paid Form of Direction.
9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 2 days (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
10. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
11. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
12. The members of the Company may require the Company to publish, on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's Financial Statements, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN.
13. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at **www.japantrustplc.co.uk**.
14. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
15. As at 23 October 2018 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 91,149,925 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 23 October 2018 were 91,149,925 votes.
16. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
17. No Director has a contract of service with the Company.

Further Shareholder Information

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

— participation in a diversified portfolio of shares;

— constant supervision by experienced professional managers; and

— the Company is free from capital gains tax on capital profits realised within its portfolio, although investors are still liable for capital gains tax on profits when selling their investment.

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles (see page 53 for details). If you are interested in investing directly in Baillie Gifford Japan, you can do so online. There are a number of companies offering real time online dealing services.

Sources of Further Information on the Company

The price of shares is quoted daily in the Financial Times and can also be found on the Company's page of the Managers' website at **www.japantrustplc.co.uk**, Trustnet at **www.trustnet.co.uk** and on other financial websites. Monthly factsheets are also available on the Baillie Gifford website. These are available from Baillie Gifford on request.

Baillie Gifford Japan Identifiers

ISIN	GB0000485838
Sedol	0048583
Ticker	BGFD
Legal Entity Identifier	54930037AGTKN765Y741

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

Key Dates

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

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

	2018 Number of shares held	2018 %	2017 Number of shares held	2017 %
Institutions	16,609,631	18.4	15,722,667	18.7
Intermediaries/ Retail Savings Platforms	66,064,789	73.0	60,961,698	72.7
Individuals	3,728,026	4.1	3,573,654	4.3
Baillie Gifford Share Plans/ISA	3,804,290	4.2	3,297,020	3.9
Marketmakers	253,189	0.3	324,886	0.4
	90,459,925	**100.0**	**83,879,925**	**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

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

The Baillie Gifford Investment Trust Share Plan

— No initial charge

— No annual wrapper charge

— Normally cheaper than dealing through a stockbroker

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

— No maximum investment limits

— Stop and start saving at any time with no charge

— Twice weekly dealing (usually Tuesday and Friday)

— A withdrawal charge of just £22

The Baillie Gifford Investment Trust ISA

— Tax-efficient investment

— No set-up charge

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

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

— Invest monthly from £100

— A withdrawal charge of just £22

ISA Transfers

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

— Consolidate your plans into a managed global investment

— Minimum transfer value £2,000

The Baillie Gifford Children's Savings Plan

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

— No initial charge

— No annual wrapper charge

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

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

— A withdrawal charge of just £22

Online Management Service

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

— obtain current valuations;

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

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

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

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

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

Further information

If you would like more information on any of the plans described, please contact the Baillie Gifford Client Relations Team. (See contact details on page 55).

Risks

Past performance is not a guide to future performance.

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

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

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

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

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

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

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

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

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

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

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

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

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

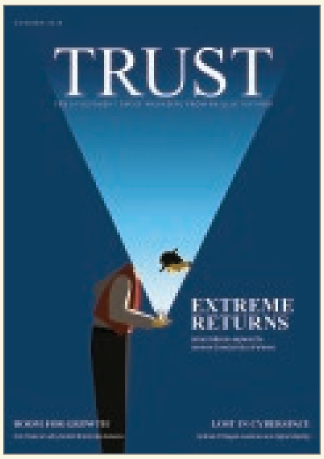
Details of other risks that apply to investment in the savings vehicles are contained in the product brochures.

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

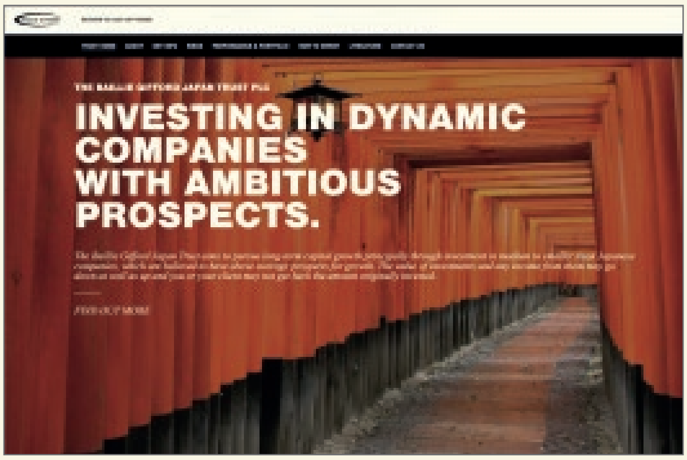
The information and opinions expressed in this document are subject to change without notice. This information has been issued and approved by Baillie Gifford & Co and does not in any way constitute investment advice.

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

Communicating with Shareholders



Trust Magazine



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

Trust Magazine

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

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 or the plans described on page 53.

Literature in Alternative Formats

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

Client Relations Team Contact Details

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

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

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

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

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

Alternative Investment Fund Managers (AIFM) Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors. In accordance with the Directive, the AIFM remuneration policy is available at **www.bailliegifford.com** or on request (see contact details on the back cover). The numerical remuneration disclosures in respect of the AIFM's reporting period (year ended 31 March 2018) are available at **www.bailliegifford.com**.

The Company's maximum and actual leverage (see Glossary of Terms on page 57) levels at 31 August 2018 are shown below:

Leverage

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.15:1	1.15:1

Automatic Exchange of Information

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

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

All new shareholders, excluding those whose shares are held in CREST, who come on to the share register 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**.

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Benchmark

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

Glossary of Terms

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

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

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

Net Asset Value (Borrowings at Par Value)#
Borrowings are valued at their nominal par value. Par value approximates to amortised cost.

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

	31 August 2018 £'000	31 August 2017 £'000
Shareholders' funds (borrowings at par value)	756,104	575,221
Add: par value of borrowings	114,486	82,500
Less: fair value of borrowings	(116,111)	(85,352)
Shareholders' funds (borrowings at fair value)	**754,479**	**572,369**
Shares in issue	90,459,925	83,879,925
Net Asset Value per ordinary share (borrowings at fair value)	**834.0p**	**682.4p**

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

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

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

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

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

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

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

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

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

Alternative performance measure which is considered to be a known industry metric.

Directors

Chairman:
Nick AC Bannerman

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

Alternative Investment Fund Managers, Secretaries and Registered Office

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Company Details

www.japantrustplc.co.uk

Company Registration No.	SC075954
ISIN	GB0000485838
Sedol	0048583
Ticker	BGFD

Legal Entity Identifier:
54930037AGTKN765Y741

Further Information

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