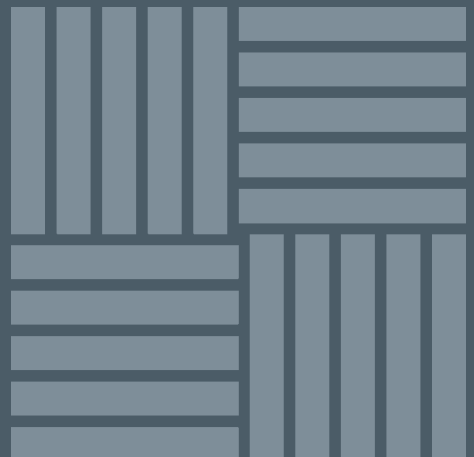
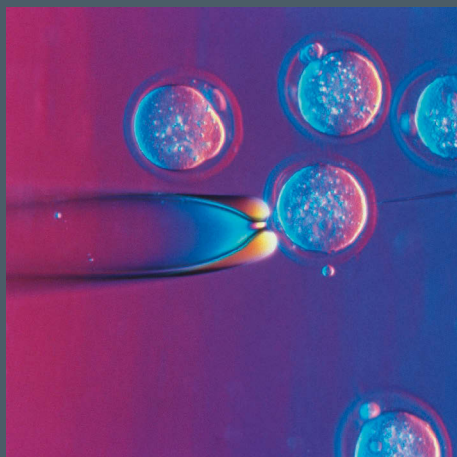
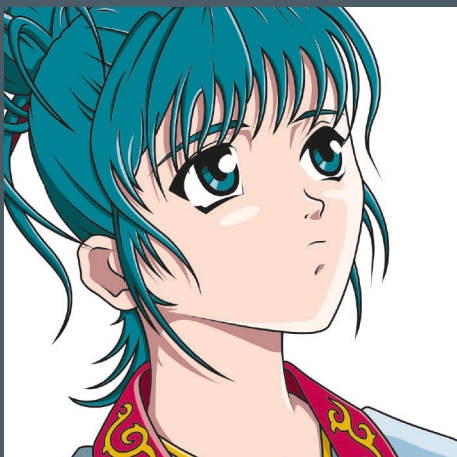
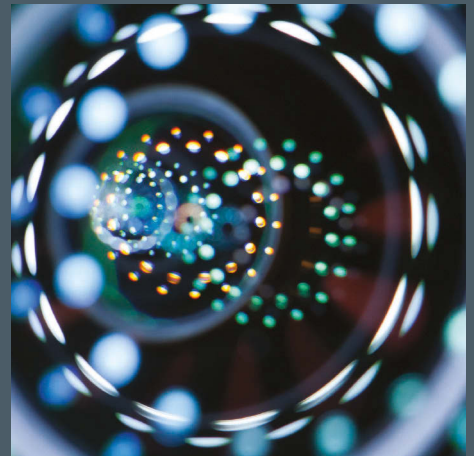
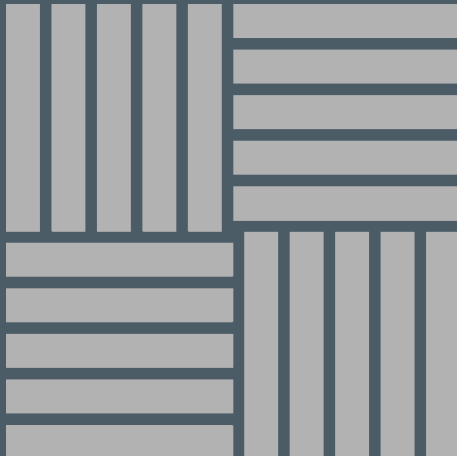
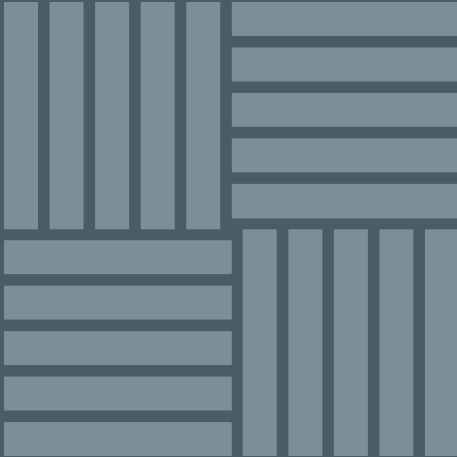


BAILLIE GIFFORD SHIN NIPPON PLC

Investing in new
opportunities in Japan



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Investor Disclosure Document

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

Baillie Gifford Shin Nippon 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 (IFAs) to ordinary retail investors in accordance with the rules of the Financial Conduct Authority (FCA) in relation to non-mainstream investment products.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately 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 Baillie Gifford Shin Nippon PLC, please forward this document and the accompanying form of proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.



Shin Nippon’s objective is to pursue long term capital growth through investment principally in small Japanese companies.

Financial Highlights – Year to 31 January 2017

Share Price +33.5%

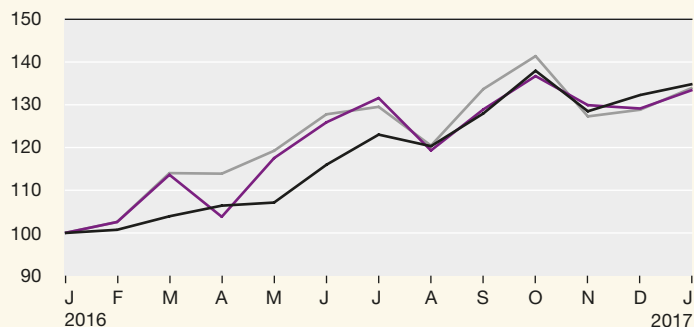
NAV +34.0%

Comparative Index* +34.9%

NAV, Share Price and Comparative Index

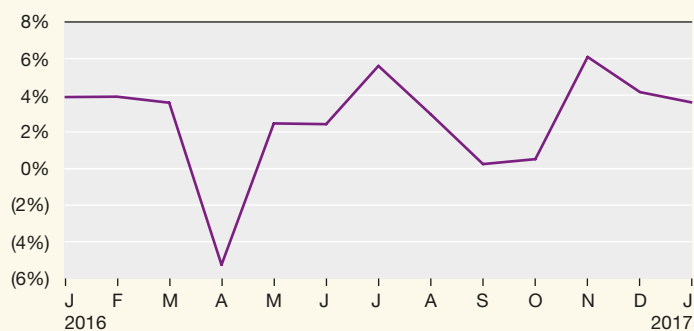
(figures rebased to 100 at 31 January 2016)

- Share price
- NAV (after deducting borrowings at fair value)
- Comparative Index*



(Discount)/Premium

- (Discount)/Premium (after deducting borrowings at fair value) plotted as at month end dates



* The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms).

Source: Thomson Reuters Datastream/Baillie Gifford. See disclaimer on page 56.

Past performance is not a guide to future performance.

Strategic Report

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

Chairman's Statement

Your Board continues to review performance primarily over a rolling three year period. I am delighted to report that Shin Nippon's performance continues to be strong. Over this period Shin Nippon's net asset value per share rose by 87.6% and its share price rose by 82.3% versus the comparative index (MSCI Japan Small Cap Index, total return in Sterling terms) returns of 69.4%. This was yet again another period of strong performance both in absolute and relative terms.

Over the year to 31 January 2017 the comparative index rose by 34.9% with the net asset value per share and share price recording a similar uplift at 34.0% and 33.5% respectively. At 31 January 2017, the premium of the share price over the net asset value was 3.6%, marginally lower than the previous year. This has been another good year for your Company.

Portfolio Management Team

Last year I advised you of our new manager Praveen Kumar. I am delighted that the transition within the team has been so smooth. Praveen has spent some considerable time in Japan during the year, visiting many of our holdings and I am confident that this approach to our selective stock picking will continue to position your Company well for the future. The Japanese team at Baillie Gifford is particularly strong. Praveen is very ably assisted by Felicia Hjertman in the management of your portfolio and supported by the wider team.

Share Issuance

During the year the Company issued 2,620,000 shares (6.9% of the Company's Share Capital at 31 January 2016) at an average premium to net asset value of 4.7%, raising £14.6m. Over the past three years the Board has issued 3,720,000 new shares. In approving these share issuances your Board recognises that by increasing the size of the Company our shares are more likely to have improved liquidity and be more attractive to a wider range of shareholders.

Borrowings

The manager continues to use gearing to enhance portfolio performance. The Board is supportive of this strategy. The Company's gearing at the year end was equivalent to 7.7% of net assets and these borrowings were beneficial to performance. In late 2013 the Company negotiated a ¥3.35bn loan facility with ING and this facility has remained fully drawn. Your Board continues to review this policy and subsequent to the year end the Company arranged a further ¥2.0bn loan facility with ING to expire in November 2020 at the same time as the existing facility.

Revenue

Our revenue return per share improved considerably during the year from a loss of 0.78p per share last year to a surplus of 0.26p this year. This was due to the increase in portfolio dividend income more than offsetting the negative effect of the increased management fee (due to the uplift in net assets under management) and the higher Yen denominated loan interest costs

(due to Sterling weakness). During the year, the Board and the Managers agreed to introduce a third tier to the management fee of 0.55% on net assets in excess of £250m. As at 31 January 2017, the Company had net assets of approximately £234m. It is pleasing to note that for the first time the Company's Ongoing Charges Ratio has fallen below 1% to 0.96%.

AGM

At this year's AGM we are again seeking authority to issue new shares of up to 10% of the Company's share capital. Any shares issued would be for cash, on a non pre-emptive basis and only at a premium to net asset value thus enhancing the net asset value for existing shareholders. Your Board believes that by satisfying natural supply and demand for our shares, we are acting in the best interests of existing shareholders. We will continue to monitor this closely.

As with issuing shares at a premium, the Board will again be seeking your approval to buy back shares should they start trading at a substantial discount either in absolute terms or in relation to its peers. Similarly, if required this activity would enhance the net asset value attributable to existing shareholders.

Outlook

In our Interim Management Report we commented on the EU Referendum result in the UK, along with concerns over global growth (China in particular), rising scepticism over unconventional monetary policy by central banks and further speculation over a rise in US interest rates. To this we now need to add the election of President Trump in the US and be mindful that all of these developments are still in their infancy. As such, uncertainty remains and caution in investment decision making is paramount. That said, our primary focus is on Japan and there have been significant developments in that market. Last year I highlighted the pace of economic change and the fact that company boards were improving corporate governance. This development is continuing and is to be welcomed. Companies are continuing to increase dividend payouts and company share buy backs are at an all time high. There are also a number of interesting developments in the Japanese labour market which will affect large as well as small companies in Japan. For example, the number of foreign workers in Japan surpassed 1 million for the first time last year and the time period that highly skilled, foreign born professionals must live in Japan in order to qualify for permanent residency will be reduced from 5 years to 3 years. These structural trends will help address the labour shortages in Japan which I highlighted in last year's report.

Your Board continues to support the stock picking nature of the Company. Opportunities continue to present themselves and we are wholly supportive of the Managers in seeking those out and continuing to strengthen the portfolio. The Board and the Managers remain encouraged by the outlook.

More detailed information about the Company's portfolio is contained within the Manager's Report on page 9.

Past performance is not a guide to future performance.
See disclaimer on page 56.

M Neil Donaldson
31 March 2017

One Year Summary

The following information illustrates how Shin Nippon has performed over the year to 31 January 2017.

	31 January 2017	31 January 2016	% change
Total assets (before deduction of bank loan)	£257.5m	£182.8m	
Bank loan	£23.6m	£19.4m	
Shareholders' funds	£233.9m	£163.4m	
Net asset value per ordinary share (after deducting borrowings at fair value)*	577.4p	431.0p	34.0
Net asset value per ordinary share (after deducting borrowings at par value)*	578.8p	432.3p	33.9
Share price	598.0p	448.0p	33.5
Comparative Index†			34.9
Yen/sterling exchange rate	141.63	171.73	21.3
Premium (after deducting borrowings at fair value)	3.6%	3.9%	
Premium (after deducting borrowings at par value)	3.3%	3.6%	
Revenue earnings/(loss) per ordinary share	0.26p	(0.78p)	
Ongoing charges	0.96%	1.02%	
Active share*	94%	94%	

Year to 31 January	2017	2017	2016	2016
Year's high and low	High	Low	High	Low
Net asset value per ordinary share (after deducting borrowings at fair value)	612.7p	374.8p	453.9p	328.2p
Net asset value per ordinary share (after deducting borrowings at par value)	614.5p	376.2p	455.2p	330.2p
Share price	622.0p	386.0p	468.0p	317.0p
Premium/(discount) (after deducting borrowings at fair value)	9.6%	(6.6%)	7.7%	(11.9%)
Premium/(discount) (after deducting borrowings at par value)	9.3%	(6.9%)	7.2%	(12.4%)

	31 January 2017	31 January 2016
Net return per ordinary share		
Revenue return	0.26p	(0.78p)
Capital return	142.88p	87.14p
Total return	143.14p	86.36p

* See Glossary of Terms on page 57.

† The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms).

Source: Thomson Reuters Datastream/Baillie Gifford. See disclaimer on page 56.

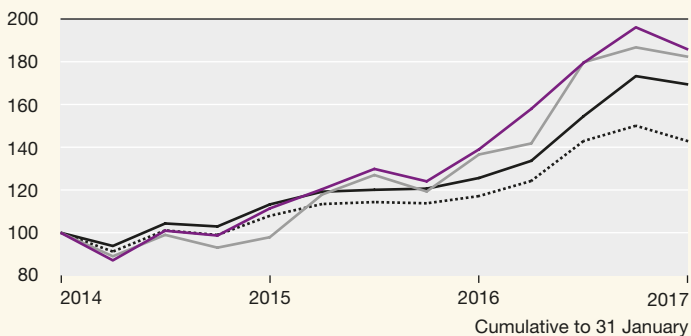
Past performance is not a guide to future performance.

Three Year and Five Year Performance Summary

The following charts indicate how an investment in Shin Nippon has performed relative to its comparative index, peer group and its underlying net asset value over three and five year periods to 31 January 2017. The Board reviews performance principally over rolling three year periods.

Three Year Performance

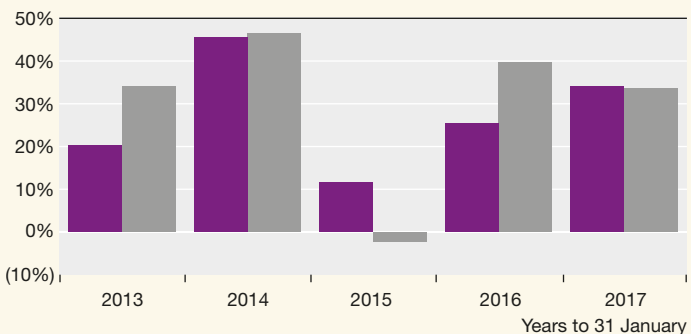
(figures rebased to 100 at 31 January 2014)



Source: Thomson Reuters Datastream/Morningstar/Baillie Gifford‡.

- Shin Nippon NAV#
- Shin Nippon share price#
- Peer Group NAV#
- Comparative Index*

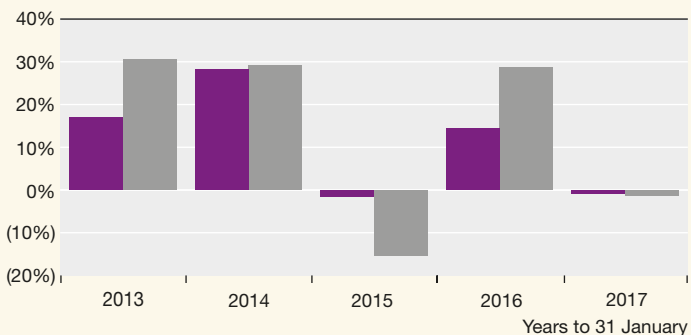
Annual change in Net Asset Value and Share Price



Source: Thomson Reuters Datastream/Baillie Gifford‡.

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

Annual change in Net Asset Value and Share Price relative to the Comparative Index*



Source: Thomson Reuters Datastream/Baillie Gifford‡.

- Relative NAV return (after deducting borrowings at fair value)†
- Relative share price return

Total return. NAV data is after deducting borrowings at par value (see Glossary of Terms on page 57). AIC peer group comprises: Atlantis Japan Growth, Fidelity Japanese Values, JP Morgan Japanese Smaller Companies and Prospect Japan; data is unweighted.

* The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms).

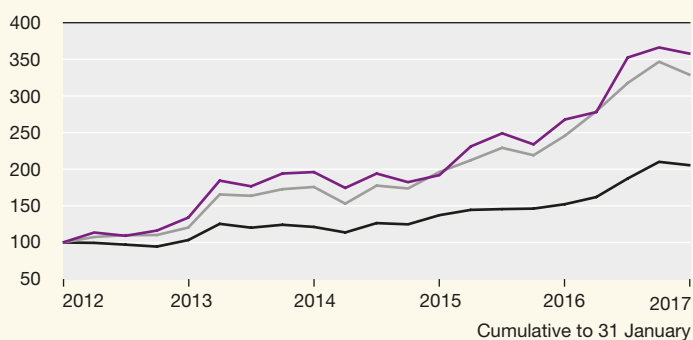
‡ See Glossary of Terms on page 57.

Past performance is not a guide to future performance.

‡ See disclaimer on page 56.

Five Year Performance

(figures rebased to 100 at 31 January 2012)



Source: Thomson Reuters Datastream/Baillie Gifford†.

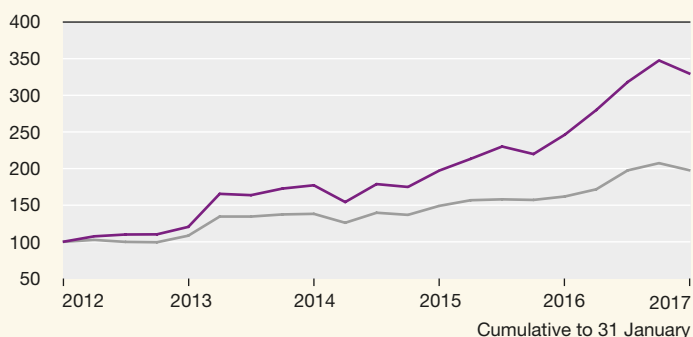
- Share price
- NAV (after deducting borrowings at fair value)#
- Comparative Index*

* The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms).

See Glossary of Terms on page 57.

Five Year Peer Group Performance

(figures rebased to 100 at 31 January 2012)



Source: Morningstar/Baillie Gifford†.

- Shin Nippon
- Peer Group†

NAV total return (after deducting borrowings at par value) in sterling terms#.

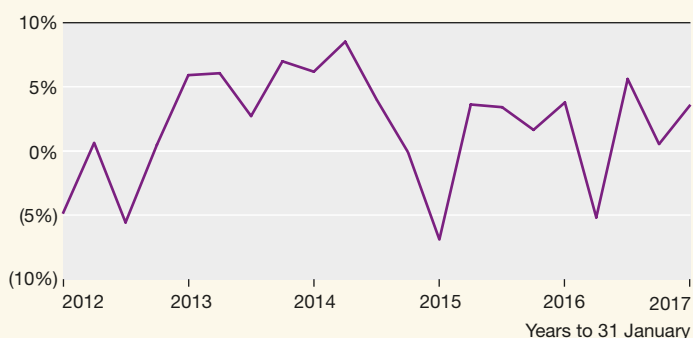
† AIC peer group comprises: Atlantis Japan Growth, Fidelity Japanese Values, JP Morgan Japanese Smaller Companies and Prospect Japan.

Data is unweighted.

See Glossary of Terms on page 57.

(Discount)/Premium to Net Asset Value

(plotted on a quarterly basis)

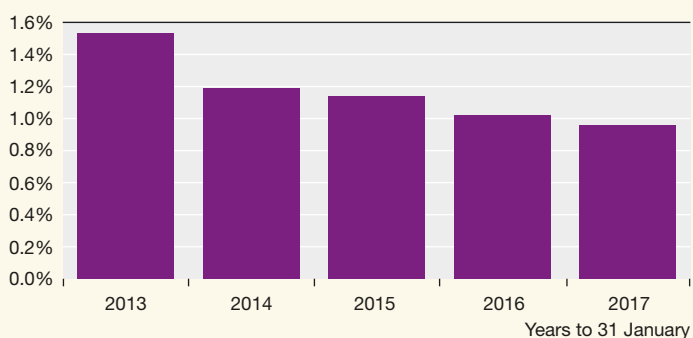


Source: Thomson Reuters Datastream/Baillie Gifford†.

- Shin Nippon (discount)/premium

The (discount)/premium is the difference between Shin Nippon's underlying net asset value per share (after deducting borrowings at fair value) and its quoted share price expressed as a percentage of the net asset value per share (see Glossary of Terms on page 57).

Ongoing Charges



Source: Baillie Gifford.

Ongoing charges are calculated as total operating costs divided by average net asset value (see Glossary of Terms on page 57).

Past performance is not a guide to future performance.

† See disclaimer on page 56.

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 shares is determined, like other listed shares, by supply and demand.

The Company has been approved as an investment trust by HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of Section 1158 of the Corporation Tax Act 2010.

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

Objective and Policy

Baillie Gifford Shin Nippon's objective is to pursue long term capital growth through investment principally in small Japanese companies which are believed to have above average prospects for growth. The Board and Managers currently consider a small company to be one that has either market capitalisation or turnover of less than ¥150 billion. The Company is classified by the AIC within its Japanese Smaller Companies sector.

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 comparative index, 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 75 holdings. Although sector concentration and the thematic characteristics of the portfolio are carefully monitored, there are no maximum limits to deviation from comparative index stock or sector weights.

On acquisition, no holding shall exceed 3% of the portfolio 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 continue to be held where the Managers are convinced of the ongoing merits of the investment case.

The Company may invest in UK and Overseas domiciled pooled funds, including UK listed investment trusts, that invest principally in Japanese securities. On acquisition, no more than 15% of the Company's gross assets will be invested in such companies or funds.

From time to time, fixed interest holdings, or non equity investments, may be held on an opportunistic basis. 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. Although the Company may have maximum equity gearing of

50% of shareholders' funds, the Board would seek to have a maximum equity gearing level of 30% of shareholders' funds at the time of drawdown.

Borrowings are typically invested in securities when it is considered that investment grounds merit the Company taking a geared position to securities. Gearing levels, and the extent of equity gearing, are discussed by the Board and Managers at every Board meeting. The Managers are tasked with ensuring that gearing is managed efficiently and within the parameters set by the Board and any loan covenants.

A detailed analysis of the Company's Investment Portfolio is set out on pages 17 and 18 and in the Managers' Report and Review of Investments on pages 9 to 16.

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 share compared to the comparative index;
- the movement in the share price;
- the discount/premium 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.

These are also compared against the Company's peers. Performance is assessed over periods of one, three and five years although the Board reviews performance principally over rolling three year periods.

A historical record of the KPIs is shown on pages 3 to 5 and on page 19.

Principal Risks

As explained on pages 25 and 26 there is a 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 risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 17 to the Financial Statements on pages 46 to 49. To mitigate this risk the Board considers at each meeting various portfolio metrics including individual stock performance and weightings, the top and bottom contributors to performance and relative sector weightings against the comparative index. The Manager provides rationale for stock selection decisions. A comprehensive strategy meeting is held annually to facilitate challenge of the Company's strategy.

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

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

Small 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 and the relative industry weightings against the comparative index are considered at each Board meeting.

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 Board 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 results of the UK referendum on continuing membership of the European Union and the announcement by the Scottish Government that it will seek to hold a second referendum on Scottish independence. Whilst there is considerable uncertainty at present, the Board will continue to monitor developments as they occur and assess the potential consequences for the Company's future activities.

Viability Statement

In accordance with provision C2.2 of the UK Corporate Governance Code the Directors have assessed the prospects of the Company over a period of five years. The Directors continue to believe this period to be appropriate as it reflects the Company's longer term investment strategy and to be a period during which, in the absence of any adverse change to the regulatory environment and to the tax treatment afforded to UK investment trusts, they do not expect there to be any significant change to the current principal risks facing the Company nor to the effectiveness of the controls employed to mitigate those risks. Furthermore, the Directors do not reasonably envisage any change in strategy or any events which would prevent the Company from operating over a period of five years.

In considering the viability of the Company, the Directors have conducted a robust assessment of each of the principal risks and uncertainties detailed on pages 6 and 7 and in particular the impact of market risk where a significant fall in Japanese small equities markets would adversely impact the value of the investment portfolio. The Directors have also considered the Company's leverage and liquidity in the context of the fixed term secured bank loans which are due to expire in 2020. Although the Company's revenue account is expected to remain in deficit, its investments are primarily listed equities which are readily realisable and so capable of being sold to provide funding if required. 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.

Strategic Report

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

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, these requirements do not apply to the Company.

Gender Representation

The Board comprises five Directors, four male and one female. The Company has no employees. The Board's policy on diversity is set out on page 25.

Environmental Social and Governance Policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 26.

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

Future Developments of the Company

The outlook for the Company for the next year is set out in the Chairman's Statement on page 2 and the Managers' Report on pages 9 and 10.

The Strategic Report which includes pages 2 to 19 was approved by the Board on 31 March 2017.

M Neil Donaldson
Chairman

Managers' Report

The past twelve months were tough and volatile for high growth small cap stocks in Japan. Geopolitical and macroeconomic factors caused a rotation into value and lower quality stocks which, in the short term, hurt performance. Share prices of a number of high growth companies held in the portfolio remained weak through this period.

We strongly believe that the high growth smaller companies in which we invest have the ability to grow at high rates irrespective of macro headwinds or sluggishness in the domestic economy. This is because these companies typically target large domestic profit pools, have a disruptive business model and generally compete with traditional, slow moving incumbents. There are also structural trends playing out in Japan that we believe will act as tailwinds for these high growth companies. Inbound tourism remains strong with just over 24 million visitors last year. This was the highest number since records began in the early 60's and over the last three years, the number of foreign visitors to Japan has grown 2.4 times. Leading ¥100 store operator Seria is seeing a surge in sales as tourists buy into its fixed price offering. Labour shortage in Japan is reaching alarming levels and is affecting companies across sectors. We recently witnessed a rather remarkable situation where the employees of a leading logistics company requested management to reduce the volumes of parcels delivered due to a shortage of delivery staff. Across the economy, the jobs-to-applicants ratio remains at all-time highs. IT staffing specialist TechnoPro is a direct play on this theme and is seeing strong demand for its services. Operational execution has been excellent so far and management are likely to achieve their mid-term plan targets one year ahead of schedule.

On the policy front, there have been a number of encouraging steps taken by the government to stimulate various sectors of the economy. Recent changes to the pharmaceutical law will now enable innovative regenerative therapies to gain accelerated regulatory approval. Portfolio holding Healios was among the three companies recently chosen to participate in this process. Whilst major developed economies such as the US and the UK seem buffeted by uncertainty due to a political environment where immigration appears to be a key issue, Japan is gradually moving in the opposite direction. The government has recently instituted a new visa scheme for skilled overseas workers in certain sectors that would enable them to gain permanent residency in just a year. We are seeing companies across sectors hire overseas workers although the numbers remain small. Corporate governance continues to improve and shareholder returns via buybacks and dividends remain at encouragingly high levels. In general, we believe that the operating environment for Japanese smaller companies continues to improve and there remains significant scope for disruptive businesses to achieve high levels of growth in future.

Performance

The MSCI Japan Small Cap Index (total return in sterling terms) rose by 34.9% over the year while Shin Nippon's net asset value per share rose by 34.0% (after deducting borrowings at fair value). Sterling based investors benefitted from the currency's weakness versus the yen over the course of the past year. We think that

shorter-term performance measurements are of limited relevance in assessing investment ability and believe three to five years is a more sensible period over which to judge long-term performance.

Noticeable among the positive contributors to performance over the year were a number of disruptive online businesses targeting large and underdeveloped domestic markets. Yume No Machi is emerging as the clear leader in the nascent online takeaway industry and was the top performing stock over the past year. Management are taking aggressive steps to strengthen the company's competitive position. They recently announced a capital and business alliance with Japan's leading messaging platform LINE and this should give them access to LINE's considerable user base. Start Today was another strong performer over the year. It continues to increase its dominance in online fashion apparels. Growth has recently accelerated as the company has broadened the choice of brands and products available on its online platform.

Leading online real estate operator Next and online cosmetics rating website iStyle were two of the more disappointing stocks over the year. Management of both companies have been investing heavily to secure future growth and we remain quite excited by the long-term prospects of both companies. Specialist medical device maker Asahi Intecc and niche plastic car parts maker Daikyonishikawa also performed poorly. Both companies have meaningful overseas businesses and yen strength through the year depressed sales and profits although operationally, they continue to execute well.

Portfolio

We pay less attention to the benchmark and focus more on a company's individual attractions. Consequently, Shin Nippon's active share figure continues to be high at 94%, implying just a 6% overlap with the comparative index. Annualised turnover within the portfolio was 13.4%, consistent with our long-term investment approach. However, we made new investments over the year in a number of exciting companies with high growth prospects.

DesignOne helps small businesses by building and maintaining an online presence for them. Their clients typically would have little prior experience of doing business online. The growth potential for DesignOne is significant as there are a large number of such small businesses in Japan. eGuarantee is emerging as the dominant player in the large but underdeveloped domestic trade receivables guarantee market; it is backed by the giant trading company Itochu, which is also its largest shareholder. Through Itochu's extensive business links, eGuarantee has unparalleled access to small and medium sized businesses that are still in the early stages of improving their balance sheet and working capital management. We have also been adding to our holdings in high growth companies such as Next and iStyle where the share price has been particularly weak for reasons explained earlier.

We also sold a few holdings over the past year. Oisix is an online retailer of organic foods that has struggled to scale up its business. Instead, management are venturing into new and less attractive areas. We were not convinced by management's

strategy so we decided to sell our holdings. We also sold our holdings in Komehyo, a specialist retailer of second hand luxury bags, due to significant deterioration in its competitive environment. Modec is a leading global player in floating vessels used for oil and gas exploration in harsh environments; we sold our holdings in this company on concerns relating to its largest customer Petrobras, the Brazilian national oil company, that is currently the subject of multiple investigations around financial impropriety.

Outlook

We remain excited by the long-term prospects for Japanese smaller companies and continue to find a number of new and exciting high growth ideas. It is highly encouraging to see an increasing crop of young, dynamic and ambitious entrepreneurs starting new businesses. With tailwinds in the form of long-term structural trends and an increasing level of government support, we believe the operating environment for smaller companies in Japan is excellent. We see this as a very encouraging development for Shin Nippon.

Baillie Gifford & Co
31 March 2017

Review of Investments

A review of some of the Company's new acquisitions together with a list of the ten largest investments is given below and on the following two pages.

Top Ten

MonotaRO

3.0% of total assets

MonotaRO sells a huge variety of everyday business necessities directly to small Japanese companies through its website. In the past, small businesses had to deal with a vast array of different wholesalers and suppliers on a regular basis. MonotaRO's website has several million different items available to order. Most products are available for next day delivery and MonotaRO can normally offer lower prices because they are ordering in bulk. The number of registered customers is rising whilst a greater proportion of higher margin private brand products are being sold.

Start Today

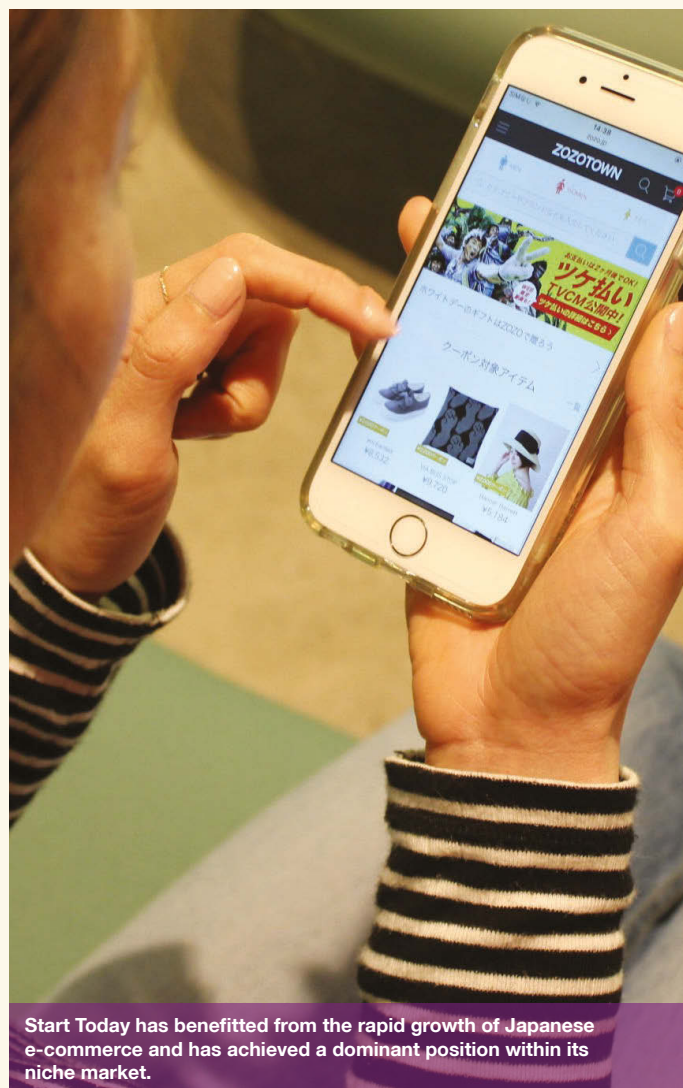
2.7% of total assets

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 fashion conscious consumers and handles items from over a thousand brands. The huge variety of garments and accessories on offer has allowed Start Today to achieve a dominant position within its niche market. The rising number of site members attracts more brands to the site, creating a virtuous circle. The expanding scale of operations has allowed the company to develop a strong distribution network that facilitates next day delivery. In the long run Start Today's market could double if the penetration of online apparel purchasing reaches the levels witnessed in some overseas markets.

Yume No Machi

2.7% of total assets

Yume No Machi operates several websites in Japan. The most interesting of these aggregates menu data from 'take-away' restaurants and allows users to order online. This service is becoming very popular, especially since the company improved its smartphone app. Yume No Machi earns a base fee from the restaurant and then a percentage fee on all meals ordered. This is a rapidly expanding industry and Yume No Machi has already established a very strong competitive position. It has also struck strategic partnerships with Asahi Shimbun, one of Japan's leading media outlets, and LINE, the leading mobile messaging app in Japan, in order to extend its reach and advantage over its peers.



Start Today has benefitted from the rapid growth of Japanese e-commerce and has achieved a dominant position within its niche market.

© Start Today.

iStyle

2.5% of total assets

iStyle operates the most popular cosmetics website in Japan. The market is characterised by thousands of different brands and product lines. iStyle seeks to help confused consumers differentiate between products by providing consumer reviews and ratings. The iStyle rating has become the industry standard in Japan and it is now very important for brands to secure a top rating for their product. In addition to advertising revenues from brands, the company is exploring new sources of income. It is opening a small number of stores stocked exclusively with a limited selection of top rated products from its website. It is also expanding overseas and is gaining traction in the substantial Chinese market.

Nihon M&A Center

2.4% of total assets

Nihon M&A Center provides merger advice to small and medium sized businesses in Japan. Many elderly business founders in Japan with no natural successor are looking for solutions to secure the long-term future of their company. There are also many companies in Japan with strong balance sheets looking to consolidate their industry to make operations more efficient. Nihon M&A Center earns a fee if it successfully introduces two companies that end up merging. The company has a strong pipeline of new deals due to strong links with local banks and tax accountants.

Asahi Intecc

2.3% of total assets

Asahi Intecc is a medical equipment company that specialises in high precision guidewires that are used in non-surgical treatment of narrowed or blocked arteries. The company's high end products are gaining share globally now that the company has taken more control of its overseas distribution. In addition to this, the overall market is growing because non-surgical treatments are viewed as less risky and cheaper than heart surgery. The company is well positioned to grow in the rapidly expanding Chinese market.

Harmonic Drive

2.3% of total assets

Harmonic Drive manufactures very sophisticated, precision speed reduction gears used mostly in small robots to help robotic arms move very precisely. As wages rise in Asia, robotic arms are taking on more functions within manufacturing plants. For applications that require the highest accuracy such as electronic component assembly and surgical robots, Harmonic Drive has almost 100% market share globally. Robotics is a long-term growth area and Harmonic Drive is well positioned to benefit from this.

M3

2.2% of total assets

M3 provides online marketing support for pharmaceutical companies. It runs a medical website with an interactive portal that doctors can log into and pick up targeted email messages about relevant new drug developments. This online marketing is much cheaper for the pharmaceutical companies than face-to-face contact through sales representatives and allows for more efficient time-management by doctors. Growth has been rapid in Japan and M3 is now starting to show signs of replicating the business model successfully overseas. The company has obtained a worthwhile foothold in the US in several key areas such as cardiology and oncology, while acquisitions in Europe and China are helping the company develop its network of doctors there.

Next

2.2% of total assets

Next operates one of Japan's leading real estate websites. With over 5 million listed properties, it provides the broadest selection of listings for rental apartments and homes to buy in Japan. Next's profits have been increasing sharply due to a pick up in the property market. The company has also been adding a number of valuable services to its core website in order to increase customer traffic. The government is looking to legalise Airbnb style private, short-term rentals and this should open up a new and significant market for Next. The company has also been making targeted acquisitions overseas and has ambitions of evolving into a global, online real estate player.

Daikyonishikawa

2.1% of total assets

Daikyonishikawa is a specialist manufacturer of high margin plastic parts for automobiles. Plastic parts are becoming increasingly popular as they help reduce the weight of vehicles, boosting fuel economy. The company is Hiroshima based and has been very reliant on Mazda in the past. However, Daikyonishikawa is now starting to win orders from other car makers.

New Buys

DesignOne Japan

0.7% of total assets

DesignOne creates and manages websites for micro and small businesses who often have no IT experience. It acts as a one-stop-shop solution provider, helping small businesses with online advertising, running promotional campaigns, payments/settlements, business analytics and search engine optimisation. The number of such small businesses in Japan is large and DesignOne currently serves only a small percentage of this. The company has also developed an app through which users can locate nearby businesses and rate them, all helping to drive traffic to its customers' stores.

eGuarantee

1.1% of total assets

eGuarantee insures trade receivables for SMEs and is the leading, independent player in Japan. It guarantees good quality (rated 'A' or higher) trade receivables for a fee, transfers a large proportion of these to a network of re-insurers to whom it pays a small fee, and pockets the difference. This simple business model means that eGuarantee takes very little risk. The total trade receivables market in Japan is substantial but only a tiny portion of this is currently insured. Penetration levels are far higher in other developed markets so the growth opportunity is substantial. eGuarantee is backed by the giant trading company Itochu that is also its largest shareholder. Through Itochu's extensive contacts, eGuarantee gains unparalleled access to entire swathes of SMEs and this is a key source of its competitive advantage.

TechnoPro is well positioned to benefit from the severe labour shortages witnessed by the IT industry.



Healios

1.2% of total assets

Healios is a stem cell and regenerative medicine specialist. It has developed a unique stem cell based therapy to cure age related blindness (AMD) by re-growing the defective cells in the retina. The target population for this novel therapy is sizeable and current treatments through traditional drugs only delay the onset of AMD. Under Japan's new drug approval laws aimed at encouraging innovation especially in regenerative medicine, Healios could have its drug on the market as early as 2020 where previously, it could have taken up to 8 years. Initial trials with a very small patient sample have been hugely encouraging.

Noritsu Koki

1.3% of total assets

Historically, Noritsu Koki was a leading global manufacturer of mini-labs used on site to process films. Rapid digitisation of the photo industry saw the company's core business shrink dramatically over time. A new, young and dynamic management team, led by the founder's 46 year old son-in-law, was put in place a few years ago to turn around the business. One of their first actions was to completely exit their legacy film business. In the short time that the new management have been in place, they have managed to build an impressive portfolio of healthcare related businesses. This includes a leading bio-similar drug manufacturer, an up and coming regenerative medicine specialist and a niche provider of remote online diagnostics and medical consultation. This portfolio of high growth businesses could potentially be worth multiples of Noritsu Koki's current market cap in 5 to 10 years time.

Seria

1.8% of total assets

Seria is a ¥100 store operator. It has a unique and disruptive business model centred on its in-house developed POS system that integrates the back end with its store network. This has enabled the company to generate far superior growth, margins and returns compared to its peers. The ¥100 store industry is consolidated and all of Seria's peers operate in a very old-fashioned manner. This has enabled Seria to consistently gain market share for a number of years with lots more to go for. The company is run by a young, dynamic and ambitious President who incidentally, wrote most of the software underlying their proprietary POS system and has a deep understanding of the industry.

TechnoPro

1.7% of total assets

TechnoPro is a technology-focused staffing company. It supplies engineers to the machinery, electrical, electronics, information systems, software, biotechnology, construction and energy sectors. It is well placed to benefit from structural growth drivers such as the labour shortage in Japan. The IT industry in particular is witnessing severe shortages of labour and as the leading provider of engineers to this sector, TechnoPro is well positioned to enjoy strong growth for a number of years.

Portfolio Performance Attribution for the Year to 31 January 2017*

Computed relative to the comparative index†

Portfolio breakdown	Index asset allocation		Shin Nippon asset allocation		Performance#		Contribution to relative return %	Contribution attributable to:		
	31.01.16 %	31.01.17 %	31.01.16 %	31.01.17 %	Shin Nippon %	Index %		Stock selection %	Asset allocation %	Gearing %
Consumer Discretionary	18.7	17.6	25.6	26.9	35.5	24.6	1.5	2.1	(0.6)	–
Consumer Staples	11.6	10.6	6.5	5.8	26.8	38.6	(0.7)	(0.6)	(0.1)	–
Energy	0.7	0.7	0.5	–	–	36.1	0.1	0.1	–	–
Financials	18.7	8.3	8.2	1.7	15.9	42.0	(1.1)	(0.4)	(0.6)	–
Health Care	5.9	5.6	15.8	14.8	26.6	21.5	(0.2)	0.6	(0.9)	–
Industrials	23.3	23.8	19.4	23.6	43.0	38.2	0.7	0.7	–	–
Information Technology	10.3	11.8	23.6	24.1	35.4	44.8	(0.6)	(1.5)	0.9	–
Materials	10.3	10.7	–	–	–	49.5	(1.1)	–	(1.1)	–
Real Estate	–	10.2	–	2.7	(18.1)	–	0.5	(0.2)	0.7	–
Telecommunication Services	–	–	0.4	0.4	26.8	–	–	–	–	–
Utilities	0.5	0.7	–	–	–	10.3	0.1	–	0.1	–
Total (excluding gearing)	100.0	100.0	100.0	100.0	33.8	34.9	(0.8)	0.5	(1.3)	–
Impact of gearing					0.6		0.6			0.6
Total (including gearing)‡	100.0	100.0	100.0	100.0	34.6	34.9	(0.2)	0.5	(1.3)	0.6

Past performance is not a guide to future performance.

Source: Baillie Gifford/StatPro and relevant underlying index providers.

Contributions cannot be added together, as they are geometric; for example to calculate how a return of 34.6% against an index return of 34.9% translates into a relative return of (0.2%), divide the portfolio return of 134.6 by the index return of 134.9, subtract one and multiply by 100.

* The performance attribution table is based on total assets.

† The comparative index for the year to 31 January 2017 was the MSCI Japan Small Cap index, total return and in sterling terms.

The returns are total returns (net income reinvested), calculated on a monthly linked method.

‡ The total return performance of 34.6% excludes expenses and therefore differs from the NAV return (after deducting borrowings at par value) of 33.9% as a result.

See disclaimer on page 56 and the Glossary of Terms on page 57.

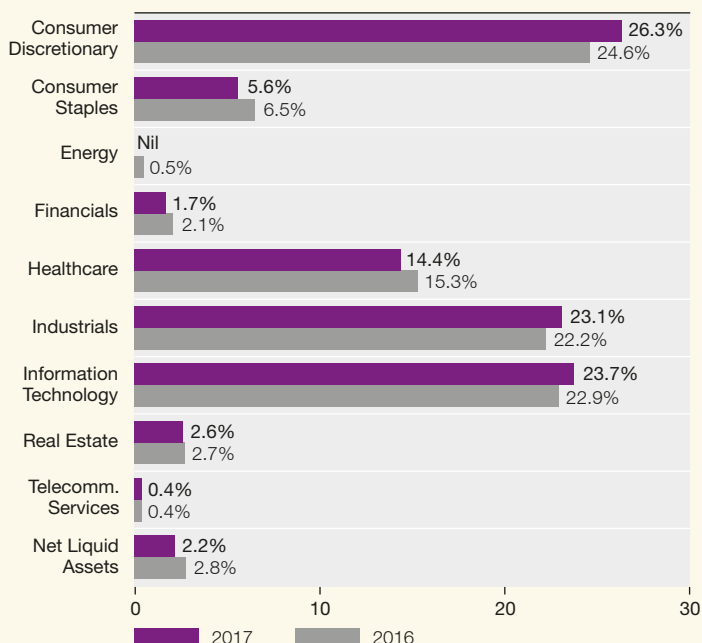
Investment Changes

	Valuation at 31 January 2016 £'000	Net acquisitions/ (disposals) £'000	Appreciation/ (depreciation) £'000	Valuation at 31 January 2017 £'000
Equities:				
Consumer Discretionary	45,462	6,173	16,148	67,783
Consumer Staples	11,574	79	2,870	14,523
Energy	929	(1,424)	495	–
Financials	3,870	590	(139)	4,321
Health Care	28,099	1,670	7,386	37,155
Industrials	40,210	2,625	16,608	59,443
Information Technology	41,941	3,871	14,974	60,786
Real Estate	4,883	1,535	298	6,716
Telecommunication Services	763	–	190	953
Total investments	177,731	15,119	58,830	251,680
Net liquid assets*	5,086	(177)	859	5,768
Total assets	182,817	14,942	59,689	257,448
Bank loan	(19,427)	(18)	(4,131)	(23,576)
Shareholders' Funds	163,390	14,924	55,558	233,872

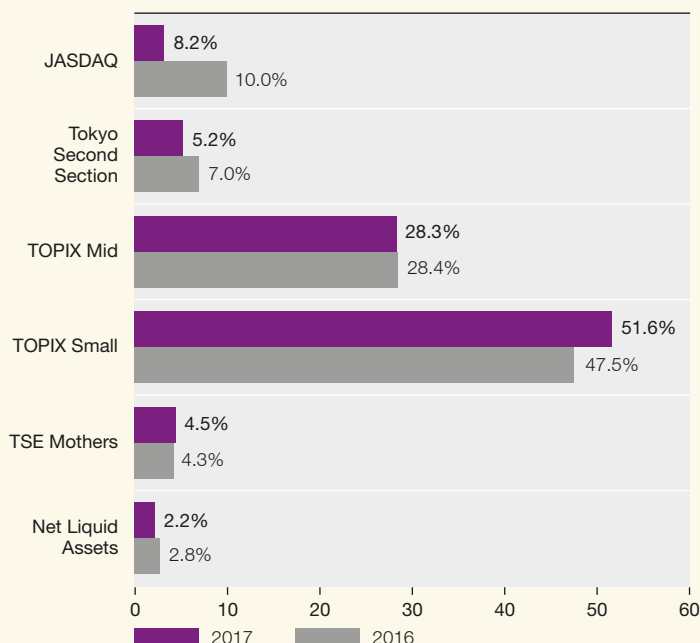
* See Glossary of Terms on page 57.

Distribution of Total Assets

Industry

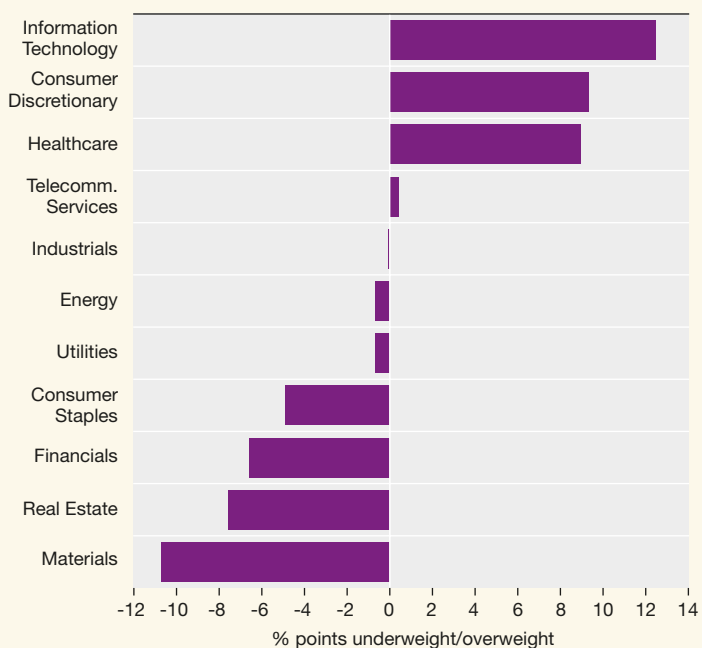


Listings



Portfolio Weightings*

Relative to comparative index



* Source: Baillie Gifford/StatPro and relevant underlying index providers. See disclaimer on page 56.

Twenty Largest Equity Holdings

Name	Business	2017 Value £'000	2017 % of total assets	2016 Value £'000
MonotaRO	Online business supplies	7,618	3.0	6,002
Start Today	Internet fashion retailer	6,982	2.7	4,230
Yume No Machi	Online meal delivery service	6,834	2.7	2,984
iStyle	Cosmetics website	6,517	2.5	5,717
Nihon M&A Center	M&A advisory services	6,304	2.4	5,804
Asahi Intecc	Specialist medical equipment	6,031	2.3	6,458
Harmonic Drive	Robotic components	5,893	2.3	3,442
M3	Online medical services	5,729	2.2	4,535
Next	Provides online property information	5,670	2.2	6,221
Daikyonishikawa	Automobile part manufacturer	5,467	2.1	3,335
Pigeon	Baby care products	5,244	2.0	3,592
GMO Payment Gateway	Online payment processing	5,095	2.0	5,986
Infomart Corp	Internet platform for restaurant supplies	5,057	2.0	3,770
Toshiba Plant Systems and Services	Plant engineering company	4,835	1.9	2,139
Nifco	Industrial fastener manufacturer	4,773	1.9	4,170
Takara Leben	Residential property developer	4,754	1.8	3,083
Seria	Discount retailer	4,565	1.8	–
Megachips	Electronic components	4,437	1.7	884
Technopro Holdings	IT staffing	4,254	1.7	–
Iriso Electronics	Specialist auto connectors	4,253	1.7	3,180
		110,312	42.9	

List of Investments at 31 January 2017

Name	Where listed	Business	Value £'000	% of total assets
Consumer Discretionary				
Asics	TOPIX Mid	Sports shoes and clothing	3,908	1.5
Cyberagent	TOPIX Mid	Internet advertising and content	3,771	1.5
Daikyonishikawa	TOPIX Small	Automobile part manufacturer	5,467	2.1
H.I.S.	TOPIX Small	Discount travel agency and theme parks	2,986	1.1
JP Holdings	TOPIX Small	Operates child-care facilities	1,560	0.6
Next	TOPIX Small	Provides online property information	5,670	2.2
Nifco	TOPIX Mid	Industrial fastener manufacturer	4,773	1.9
Noritsu Koki	TOPIX Small	Holding company with interests in biotech and agricultural products	3,397	1.3
Oisix	TSE Mothers	Organic food website	87	0.0
Sanwa	TSE Mothers	Online kitchen and bathroom supplies	1,127	0.4
Seria	JASDAQ	Discount retailer	4,565	1.8
Shoei	TOPIX Small	Manufactures motor cycle helmets	3,278	1.3
Start Today	TOPIX Mid	Internet fashion retailer	6,982	2.7
Tomy	TOPIX Small	Toy manufacturer	3,150	1.2
Unipres	TOPIX Mid	Manufacturer of automotive components	2,789	1.1
Yonex	TOKYO 2nd	Manufacture and sale of sporting goods	4,175	1.6
Yume No Machi	JASDAQ	Online meal delivery service	6,834	2.7
Zojirushi Corp	TOKYO 2nd	Kitchen appliance manufacturer	3,264	1.3
			67,783	26.3
Consumer Staples				
Calbee	TOPIX Mid	Branded snack foods	2,603	1.0
Cocokara Fine	TOPIX Small	Drugstore chain	4,102	1.6
Cosmos Pharmaceuticals	TOPIX Mid	Drugstore chain	2,574	1.0
Pigeon	TOPIX Mid	Baby care products	5,244	2.0
			14,523	5.6
Financials				
Dream Incubator	TOPIX Small	Early stage business support	1,629	0.6
eGuarantee	TOPIX Small	Guarantees trade receivables	2,692	1.1
			4,321	1.7
Healthcare				
Asahi Intecc	TOKYO 2nd	Specialist medical equipment	6,031	2.3
EPS	TOPIX Small	Clinical testing services	2,644	1.0
Findex	TOPIX Small	Healthcare software developer	1,795	0.7
Healios KK	TSE Mothers	Regenerative medicine	2,968	1.2
Jeol	TOPIX Small	Manufacturer of scientific equipment	2,960	1.2
M3	TOPIX Mid	Online medical services	5,729	2.2
Nakanishi	JASDAQ	Dental equipment	3,698	1.4
Nanocarrier	TSE Mothers	Biotech company	1,808	0.7
Nikkiso	TOPIX Small	Industrial pumps and medical equipment	2,859	1.1
Peptidream	TOPIX Mid	Biotech company	3,990	1.6
Sanbio	TSE Mothers	Stem cell based stroke treatment	2,673	1.0
			37,155	14.4

Name	Where listed	Business	Value £'000	% of total assets
Industrials				
Aeon Delight	TOPIX Small	Shopping mall maintenance	2,525	1.0
Hamakyorex	TOPIX Small	Third party logistics	2,999	1.2
Harmonic Drive	JASDAQ	Robotic components	5,893	2.3
Hoshizaki Electric	TOPIX Mid	Commercial kitchen equipment	3,433	1.3
MonotaRO	TOPIX Mid	Online business supplies	7,618	3.0
Nabtesco	TOPIX Mid	Robotic components	4,008	1.5
Nihon M&A Center	TOPIX Mid	M&A advisory services	6,304	2.4
OSG Corp	TOPIX Mid	Manufactures machine tool equipment	3,302	1.3
Outsourcing	TOPIX Small	Employment placement services	3,939	1.5
Sato Holdings	TOPIX Small	Automatic recognition technologies	3,158	1.2
Sho-Bond	TOPIX Small	Infrastructure reconstruction	3,568	1.4
Technopro Holdings	TOPIX Small	IT staffing	4,254	1.7
Toshiba Plant Systems and Services	TOPIX Small	Plant engineering company	4,835	1.9
WDB Holdings	TOPIX Small	Human resource services	1,726	0.7
Weathernews	TOPIX Small	Provision of content services related to weather information	1,881	0.7
			59,443	23.1
Information Technology				
Bengo4.com	TSE Mothers	Online legal consultation	1,323	0.5
Brainpad	TOPIX Small	Business data analysis	1,777	0.7
Broadleaf	TOPIX Small	Online platform for buying car parts	3,650	1.4
Capcom	TOPIX Mid	Packaged games developer	2,113	0.8
Cookpad	TOPIX Small	Recipe website	2,183	0.8
Crowdworks	TSE Mothers	Crowd sourcing services	1,685	0.7
DesignOne Japan	TOPIX Small	Online platform for small local businesses	1,725	0.7
Digital Garage	TOPIX Small	Internet business incubator	2,993	1.2
F@N Communications	TOPIX Small	Internet advertising services	1,390	0.5
GMO Payment Gateway	TOPIX Small	Online payment processing	5,095	2.0
Horiba	TOPIX Mid	Manufacturer of measuring instruments	3,879	1.5
Infomart Corp	TOPIX Small	Internet platform for restaurant supplies	5,057	2.0
Iriso Electronics	TOPIX Small	Specialist auto connectors	4,253	1.7
iStyle	TOPIX Small	Cosmetics website	6,517	2.5
Megachips	TOPIX Small	Electronic components	4,437	1.7
Nippon Ceramic	TOPIX Small	Manufacturer of ultrasonic sensors	3,779	1.5
Optex	TOPIX Small	Infrared detection devices	3,513	1.4
Poletowin Pitcrew	TOPIX Small	Game testing and internet monitoring	1,540	0.6
SIIX Corp	TOPIX Small	Out-sourced overseas production	3,877	1.5
			60,786	23.7
Real Estate				
Mugen Estate	TOPIX Small	Residential property developer	1,962	0.8
Takara Leben	TOPIX Small	Residential property developer	4,754	1.8
			6,716	2.6
Telecommunication Services				
Wirelessgate	TOPIX Small	Wireless communication services	953	0.4
			953	0.4
Total investments			251,680	97.8
Net liquid assets*			5,768	2.2
Total assets			257,448	100.0
Bank loans			(23,576)	(9.2)
Shareholders' funds			233,872	90.8

* See Glossary of Terms on page 57.

Ten Year Record

Capital

At 31 January	Total assets* £'000	Bank loans £'000	Shareholders' funds £'000	Net asset value per share † p	Share price p	(Discount)/ premium # %
2007	77,432	12,248	65,184	213.0	205.0	(3.8)
2008	56,518	11,354	45,164	145.2	129.3	(11.0)
2009	49,073	10,813	38,260	123.0	95.8	(22.1)
2010	51,486	7,917	43,569	140.1	115.3	(17.7)
2011	64,429	8,763	55,666	179.0	163.3	(8.8)
2012	64,362	9,557	54,805	176.2	167.3	(5.1)
2013	77,074	7,948	69,126	211.7	224.1	5.9
2014	133,828	19,867	113,961	310.4	328.0	5.7
2015	147,529	18,894	128,635	345.8	321.0	(7.2)
2016	182,817	19,427	163,390	432.3	448.0	3.6
2017	257,448	23,576	233,872	578.8	598.0	3.3

* Total assets comprise total assets less current liabilities, before deduction of bank loans.

† Net asset value per ordinary share has been calculated after deducting borrowings at par value. See Glossary of Terms on page 57.

(Discount)/premium is the difference between Shin Nippon's quoted share price and its underlying net asset value (after deducting borrowings at par value) expressed as a percentage of net asset value. See Glossary of Terms on page 57.

Source: Thomson Reuters Datastream/Baillie Gifford. See disclaimer on page 56.

Revenue

Year to 31 January	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings/(loss) per ordinary share p	Ongoing charges ‡ %
2007	929	(258)	(0.84)	1.19
2008	1,119	4	0.01	1.44
2009	1,358	481	1.54	1.47
2010	868	24	0.08	1.55
2011	1,108	114	0.37	1.50
2012	1,219	98	0.32	1.49
2013	1,165	(22)	(0.07)	1.53
2014	1,259	(239)	(0.69)	1.19
2015	1,554	(374)	(1.01)	1.14
2016	1,798	(290)	(0.78)	1.02
2017	2,912	101	0.26	0.96

Gearing Ratios

Gearing ¶ %	Potential gearing § %
18	19
17	25
18	28
17	18
13	16
14	17
10	11
11	17
9	15
9	12
8	10

‡ Calculated as total operating costs divided by average net asset value (with borrowings at fair value). See Glossary of Terms on page 57. The 2009 figure excludes the impact of the VAT on management fees reclaimed during the year.

¶ Total assets (including all debt used for investment purposes) less all cash and cash equivalents divided by shareholders' funds. See Glossary of Terms on page 57.

§ Total assets (including all debt used for investment purposes) divided by shareholders' funds. See Glossary of Terms on page 57.

Source: Baillie Gifford.

Cumulative Performance (taking 2007 as 100)

At 31 January	Net asset value per share ^	Share price	Comparative index **
2007	100	100	100
2008	68	63	81
2009	58	47	94
2010	66	56	92
2011	84	80	110
2012	83	82	110
2013	99	109	114
2014	146	160	134
2015	162	157	151
2016	203	219	168
2017	272	292	226

Compound annual returns

5 year	26.9%	29.0%	15.5%
10 year	10.5%	11.3%	8.5%

^ Net asset value per ordinary share has been calculated after deducting borrowings at par value. See Glossary of Terms on page 57.

** On 1 February 2010 the Company changed its comparative index from a composite index of the Tokyo Second Section Index, the TOPIX Small Index and the JASDAQ Index, weighted by market capitalisation, in sterling terms to the MSCI Japan Small Cap Index (total return and in sterling terms). For the purpose of the above table the returns on both indices for their respective periods have been linked together to form a single comparative index.

Source: Thomson Reuters Datastream/Baillie Gifford. See disclaimer on page 56.

Past performance is not a guide to future performance.

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

M Neil Donaldson

Neil Donaldson was appointed a Director in 2014 and became Chairman on 21 May 2015. Mr Donaldson has been chairman of James Donaldson & Sons Limited, an independent Fife based timber merchants, since 1985. He is also deputy chairman of the R&A general committee. Formerly the chairman of Securities Trust of Scotland, he served on its board since 2005 and has more than 16 years' experience of the investment trust sector. He also holds appointments with several charities.

P Francis Charig

Francis Charig was appointed a Director in 2005. He has considerable knowledge of the technology, information and financial sectors in Japan gained from his time amongst others, at the London Stock Exchange as Head of the TSBU, as chairman & CEO of Tao Group and as the chairman of the Open Contents Platform Association based in Tokyo. He was named a *World Economic Forum* Technology Pioneer in 2006. He is currently active on the boards of several early stage businesses, investment advisory business, Harinezumi Ltd., sports information company, BetWiz Sports Ltd. and instant messaging company IMOK Media Ltd.

Iain A McLaren CA

Iain McLaren was appointed a Director in 2009 and is Chairman of the Audit Committee. He has extensive experience of financial reporting, auditing, corporate governance and general management. He retired from KPMG in 2008 having been a partner for 27 years and was senior partner in Scotland from 1999 to 2004. He is currently senior independent director and chairman of the audit committee of Cairn Energy Plc. He is also chairman of F&C UK High Income Trust Plc, non-executive director of Edinburgh Dragon Trust plc and Ecofin Global Utilities and Infrastructure Trust plc and a director of Jadestone Energy.

Merryn R Somerset Webb

Merryn Somerset Webb was appointed a Director in 2011. She is the editor-in-chief of UK personal finance magazine MoneyWeek, writes for the Financial Times and is a radio and television commentator on financial matters. She has a strong interest in and knowledge of Japan and is a director of Montanaro European Smaller Companies Trust plc. She is also a trustee of The Super Power Agency.

Simon CN Somerville

Simon Somerville was appointed a Director in 2010. He has over 20 years' experience in Japanese and Asian equities. Having worked for over 14 years at Cazenove Fund Management, latterly as the head of Global Equities, he joined Jupiter Asset Management in 2005 where he was Strategy Head of Japan Equities. He is currently Portfolio Manager with responsibility for Japan at Marathon Asset Management.

The Directors listed above were in office during the year to 31 January 2017 and remained in office as at 31 March 2017.

All Directors are members of the Nomination and Audit Committees.

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 and Company Secretary. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Baillie Gifford & Co is an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages seven investment trusts. Baillie Gifford also manages 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 totalled around £159 billion at 29 March 2017. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 41 partners and a staff of around 900.

The manager of Shin Nippon is Praveen Kumar, a member of the Japan Team. He joined Baillie Gifford & Co in 2008 and has specialised in Japanese equities since 2011. He is the investment manager with responsibility for Japanese smaller companies investments and became Manager of Shin Nippon on 1 December 2015.

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 January 2017.

Corporate Governance

The Corporate Governance Report is set out on pages 24 to 26 and forms part of this Report.

Manager and Company Secretaries

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed as the Company's Alternative Investment Fund Manager ('AIFM') and Company Secretaries. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co.

The Investment Management Agreement 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 six months' notice. Compensation fees would only be payable in respect of the notice period if termination were to occur sooner. With effect from 1 September 2016 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. Prior to 1 September 2016 the fee was 0.95% on the first £50m of net assets and 0.65% on the remaining net assets. Management fees are calculated and payable quarterly.

The Board as a whole fulfils the function of the Management Engagement Committee.

The Board reviews investment performance and monitors the arrangements for the provision of investment management and secretarial services to the Company on a continuous basis. A formal evaluation of the Managers by the Board is conducted annually. The Board's annual evaluation considers, amongst others, the following topics as recommended by the AIC Guide 'Evaluation of the Manager':

- Quality of Team;
- Investment Management;
- Commitment of Manager;
- Managing the Company;
- Promotion;
- Shareholders; and
- Management Agreement.

Following the most recent evaluation in November 2016, the Board is in agreement 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 interest of shareholders as a whole. This is due to: the strength and experience of the investment management team; the Managers' commitment to the investment trust sector as a whole and to the Japanese markets in particular; and very good long term investment performance in relation to investment policy and strategy. The Board also recognises the high quality of the Managers' secretarial, administrative and corporate governance functions.

The Board considers that maintaining a low ongoing charge ratio is in the best interest of shareholders. The Board continues to give careful consideration to the basis of the management fee.

Depository

In accordance with the AIFMD, BNY Mellon & Trust Depository (UK) Limited has been appointed Depository to the Company.

The Depository's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Depository has delegated the custody function to The Bank of New York Mellon SA/NV ('the Custodian').

Directors

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

Mr PF Charig, having served for more than nine years, is subject to annual re-election and will therefore be retiring and offering himself for re-election at the Annual General Meeting.

Mr SCN Somerville, having served for three years since he was last elected, will be retiring and offering himself for re-election.

Following formal performance evaluation, the performance of Mr PF Charig and Mr SCN Somerville continues to be effective and each remains committed to the Company. Their contribution to the Board is greatly valued and the Board recommends their re-election to shareholders.

Director Indemnification and Insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of the Directors. The deeds 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 or her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person. The indemnities were in force during the year to 31 January 2017 and up to the date of approval of this report.

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

Dividend

The revenue reserve remains in deficit. Consequently the Company will not pay a dividend.

Share Capital

Capital Structure

The Company's capital structure consists of 40,395,497 ordinary shares of 10p each at 31 January 2017 (2016 – 37,775,497 ordinary shares). 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 page 51.

Major Interests in the Company's Shares

The Company has received notification of the following interests in 3% or more (for directly held interests) and 5% or more (for indirectly held interests) of the voting rights of the Company as at 31 January 2017.

Name	No of ordinary 10p shares held at 31 January 2017	% of issue
South Yorkshire Pensions Authority (direct)	2,065,000	5.1

There have been no changes to the major interests in the Company's shares intimated up to 29 March 2017.

Annual General Meeting

Share Issuance Authority

At the last Annual General Meeting, the Directors were granted authority to issue shares up to an aggregate nominal amount of £1,273,349.90, 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 £382,004.90. These authorities are due to expire at the Annual General Meeting on 18 May 2017.

Resolution 8 in the Notice of Annual General Meeting seeks a general authority for the Directors to issue shares up to an aggregate nominal amount of £1,367,349.90. This amount represents 33.33% of the Company's total ordinary share capital in issue at 29 March 2017 and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 8 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 9, which is proposed as a special resolution, seeks authority for the Directors 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 £410,204.90 (representing 10% of the issued ordinary share capital of the Company as at 29 March 2017). The authorities sought in Resolutions 8 and 9 will continue until the conclusion of the Annual General Meeting to be held in 2018 or on the expiry of 15 months from the passing of the resolutions, if earlier.

Such authorities will only be used to issue shares or 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 January 2017 the Company issued 2,620,000 shares on a non-pre-emptive basis at a premium to net asset value on 17 separate occasions at an average price of 547.35 pence per share raising proceeds of £14,623,000. Between 1 February and 29 March 2017 the Company issued a further 625,000 shares raising proceeds of £3,952,000.

No shares were held in treasury as at 29 March 2017.

Market Purchases of Own Shares

At the last Annual General Meeting, the Company was granted authority to purchase up to 5,726,254 ordinary shares (equivalent to 14.99% of its issued share capital), such authority to expire at the 2017 Annual General Meeting. The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases of up to 6,148,972 ordinary shares representing approximately 14.99% of the Company's ordinary shares in issue at the date of passing of the resolution, such authority to expire at the Annual General Meeting of the Company to be held in 2018.

No shares were bought back during the year under review.

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;
- (ii) to address any imbalance between the supply of and 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:

- (a) sell such shares (or any of them) for cash (or its equivalent under the Companies Act 2006); or
- (b) cancel such shares (or any of them).

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

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

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

- (i) 5 percent above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
- (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange.

The minimum price (exclusive of expenses) that may be paid will be 10p per share. Purchases of shares will be made within guidelines established, from time to time, by the Board. The Company does not have any warrants or options in issue. Your attention is drawn to Resolution 10 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.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 17 to the Financial Statements.

Articles of Association

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

Disclosure of Information to Auditors

The Directors confirm that so far as each of the Directors is aware there is no relevant audit information of which the Company's Auditors are 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 Auditors are aware of that information.

Independent Auditors

Following the conclusion of a formal tender process led by the Company's Audit Committee, the Board has approved the proposed appointment of KPMG LLP as Auditors for the financial year commencing 1 February 2017. KPMG LLP has expressed its willingness to be appointed Auditors to the Company. The appointment is subject to shareholder approval at the Annual General Meeting to be held on 18 May 2017 and Resolutions concerning KPMG LLP's appointment and remuneration will be submitted to the Annual General Meeting.

The Board extends its appreciation to PricewaterhouseCoopers LLP for its services as Auditors and confirms that there are no matters in connection with PricewaterhouseCoopers LLP ceasing to hold office as Auditors following the 2017 audit which need to be brought to the attention of shareholders.

Post Balance Sheet Events

The Directors confirm that there have been no post Balance Sheet events up to 31 March 2017.

Greenhouse Gas Emissions

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

Bribery Act

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

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 31,895 shares, representing approximately 0.08% of the current issued share capital of the Company.

On behalf of the Board
M Neil Donaldson
Chairman
31 March 2017

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2014 UK Corporate Governance Code, (the 'Code') which can be found at www.frc.org.uk, and the principles of the Association of Investment Companies ('AIC') Code of Corporate Governance 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 except that there is no designated senior independent director. The Directors do not believe that it is necessary to have a separate senior independent director due to the small size of the Board. Shareholders may address their concerns to any Board member.

The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters 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 transaction reports, revenue budgets and performance. Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities.

The Board comprises five Directors, all of whom are non-executive. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The executive responsibility for investment management has been delegated to the Company's Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited, and in the context of a Board comprising entirely non-executive directors there is no chief executive officer.

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

The Directors recognise the importance of board succession planning. The composition of the Board and the plans for refreshment are reviewed regularly to ensure there is an appropriate balance of skills, experience, age and length of service.

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

Appointments

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 re-election by shareholders at the next Annual General Meeting. Directors are required to submit themselves for re-election at least once every three years and Directors who have served for more than nine years offer themselves for re-election annually.

Independence of Directors

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

The Board concurs with the view expressed in the AIC Code that 'independence stems from the ability to make those objective decisions that may be in conflict with the interests of management'. 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 of benefit to the Board. Directors are, however, required to retire and, if appropriate, seek re-election at least every three years. Directors who have more than nine years' service submit themselves for re-election annually. The Board is not controlled by long serving Directors.

Mr PF Charig has served on the Board for more than nine years. The Board believes strongly that Mr PF Charig's independence and contribution to the Board has not been compromised by his length of service and that this has been evidenced by his actions and decisions. Following a formal performance evaluation on 9 February 2017, the Board believes that he continues to be independent. The Board considers that none of Mr PF Charig's other commitments, as set out on page 20 of this report, interfere with the discharge of his duties to the Company and the Board is satisfied that he is capable of devoting sufficient time to the Company.

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.

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	5	2	1
MN Donaldson	5	2	1
PF Charig	5	2	1
IA McLaren	5	2	1
MR Somerset Webb	5	2	1
SCN Somerville	5	2	1

The table above shows the attendance record for the core Board and Committee meetings held during the year. Various ancillary meetings were held during the year. The Annual General Meeting was attended by all the Directors. The Board and Nominations Committee meetings held on 9 February 2017 were in respect of the year to 31 January 2017 and have been included in the table above.

Nomination Committee

The Nomination Committee consists of the whole Board and the Chairman of the Board is Chairman of the Committee. The Committee meets at least annually and at such other times as may be required. The Committee has written terms of reference that include reviewing 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 also 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 for its diversity policy to include diversity targets.

The Committee's terms of reference are available on request from the Company and on the Company's website:

www.shinnippon.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 on 9 February 2017. The Chairman and each Director completed a performance evaluation questionnaire. Each Director had an interview with the Chairman and the Directors reviewed the Chairman's performance.

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 each Director remains committed to the Company.

A review of the Chairman's and 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 increases to the Chairman's and Directors' 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. Regular briefings are provided on changes in regulatory requirements that could affect the Company and Directors. Directors receive other relevant training as necessary.

Remuneration

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

Audit Committee

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

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives

and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the 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 on Risk Management, Internal Control and Related Financial and Business Reporting' issued in September 2014, and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review and up to the date of this Report.

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

To comply with the Alternative Investment Fund Managers Directive, BNY Mellon Trust & Depositary (UK) Limited acts as the Company's Depositary and Baillie Gifford & Co Limited as its AIFM.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Depositary has delegated the custody function to The Bank of

New York Mellon SA/NV London Branch ('the Custodian'). The Custodian prepares a report on its key controls and safeguards which is independently reviewed by KPMG LLP.

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

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

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits, including leverage (see page 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 undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with remedial measures being taken.

Going Concern

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

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 17 to the Financial Statements. The Company's assets, which are primarily 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 loan covenants are reviewed by the Board on a regular basis.

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 7, 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.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's Investment Manager meets regularly with shareholders and their representatives and reports to the Board. The Company broker and the Managers' sales team also have regular contact with current and potential shareholders. The Chairman and Directors are 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, Panmure Gordon & Co (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.shinnippon.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 at www.shinnippon.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 have asked the Managers to take these issues into account. 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 at www.bailliegifford.com. The Managers' policy has been reviewed and endorsed by the Board.

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

By order of the Board
M Neil Donaldson
Chairman
31 March 2017

Audit Committee Report

The Audit Committee consists of all independent Directors. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Mr IA McLaren, Chairman of the Committee, is a Chartered Accountant.

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.shinnippon.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 Auditors without any representative of the Manager being present.

Main Activities of the Committee

The Committee met twice during the year and PricewaterhouseCoopers LLP, the external Auditors, 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;
- Reappointment, remuneration and engagement letter of the external Auditors;
- Whether the audit services contract should be put out to tender;
- The policy on the engagement of the external Auditors to supply non-audit services;
- The independence and objectivity of the external Auditors and the effectiveness of the external audit process;
- The need for the Company to have its own internal audit function;
- Internal controls reports received from the Managers and custodian;
- Written assurance from the Company's key third party service providers regarding whether they have been aware of any fraud or had any suspicions of fraud over the Company's financial year; 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 controls 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 issue likely to affect the Financial Statements is the existence and valuation of investments, as they represent 97.8% of total assets and the accuracy and completeness of income from investments.

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

The value of all the investments as at 31 January 2017 were agreed to external price sources and the portfolio holdings agreed to confirmations from the Company's Custodian.

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

Audit Tender

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

Internal Controls and Risk Management

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

External Auditors

To fulfil its responsibility regarding the independence of the external Auditors, the Committee reviewed:

- The audit plan for the current year;
- A report from the Auditors describing their arrangements to manage auditor independence and received confirmation of their independence; and
- The extent of non-audit services provided by the external Auditors. There were no non-audit fees for the year to 31 January 2017 (2016 – nil).

Governance Report

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

- The Auditors' 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 Auditors' engagement letter;
- The Auditors' proposed audit plan;
- The audit fee; and
- A report from the Auditors on the conclusion of the audit.

PricewaterhouseCoopers LLP have been engaged as Auditors for thirty two years. Prior to the audit tender carried out during the year, the Committee had previously placed the audit out to tender during the year to 31 January 2008 which concluded with the continuing appointment of PricewaterhouseCoopers LLP as Auditors. The audit partners responsible for the audit have 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.

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

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

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

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

Accountability and Audit

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

By order of the Board
M Neil Donaldson
Chairman
31 March 2017

Directors' Remuneration Report

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

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy which is set out below was approved at the Annual General Meeting in May 2014. No changes are proposed to the policy and an ordinary resolution for the approval of the Remuneration Policy will be put to the members at the forthcoming Annual General Meeting on 18 May 2017.

The Board reviewed the level of fees during the year and it was agreed that there would be no change to Directors' fees. With effect from 1 February 2016, as reported last year, the Chairman's fee was increased to £31,500, reflecting a 50% premium above the prevailing fee for Directors. Directors' fees were last increased on 1 February 2014.

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, provides 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 in aggregate. Any change to this limit requires shareholder approval.

The basic and additional fees payable to Directors in respect of the year ended 31 January 2017 and the fees payable in respect of the year ending 31 January 2018 are set out in the table below. The fees payable to the Directors in the subsequent financial periods will be determined following an annual review of the Directors' fees.

	Expected fees for year ending 31 Jan 2018 £	Fees as at 31 Jan 2017 £
Chairman's fee	31,500	31,500
Non-executive Director fee	21,000	21,000
Additional fee for Chairman of the Audit Committee	2,500	2,500
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	150,000	150,000

Annual Report on Remuneration

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

The law requires the Company's Auditors to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditors' opinion is included in their report on page 32.

Directors' Remuneration for the Year (audited)

The Directors who served during the year received the following remuneration in the form of fees and taxable benefits. This represents the entire remuneration paid to the Directors.

Name	2017 Fees £	2017 Taxable benefits* £	2017 Total £	2016 Fees £	2016 Taxable benefits* £	2016 Total £
MN Donaldson (appointed Chairman 21 May 2015)	31,500	230	31,730	26,148	763	26,911
PF Charig	21,000	2,322	23,322	21,000	1,884	22,884
IA McLaren	23,500	38	23,538	23,500	104	23,604
BM Rose (retired 21 May 2015)	–	–	–	8,769	252	9,021
MR Somerset Webb	21,000	554	21,554	21,000	104	21,104
SCN Somerville	21,000	1,524	22,524	21,000	658	21,658
	118,000	4,668	122,668	121,417	3,765	125,182

* Comprises travel and subsistence expenses incurred by Directors in the course of travel to attend Board and Committee meetings held at the Company's registered office in Edinburgh. These amounts have been grossed up for income tax and, if applicable, National Insurance contributions.

Directors' Interests (audited)

Name	Nature of interest	Ordinary 10p shares held at 31 Jan 2017	Ordinary 10p shares held at 31 Jan 2016
MN Donaldson	Beneficial	7,866	4,504
PF Charig	—	—	—
IA McLaren	Beneficial	10,000	10,000
MR Somerset Webb	Beneficial	3,557	3,557
SCN Somerville	Beneficial	10,000	10,000

The Directors are not required to hold shares in the Company. The Directors at the year end, and their interests in the Company, were as shown above. Following the year end Mr MN Donaldson purchased a further 472 shares. There have been no changes intimated in the Directors' interests up to 29 March 2017.

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 (May 2014), 99.6% were in favour, 0.2% were against and votes withheld were 0.2%.

Relative Importance of Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. The Directors' Remuneration for the year is set out on the previous page. There were no distributions to shareholders by way of dividend or share repurchases during the year (2016 – none).

Directors' Service Details

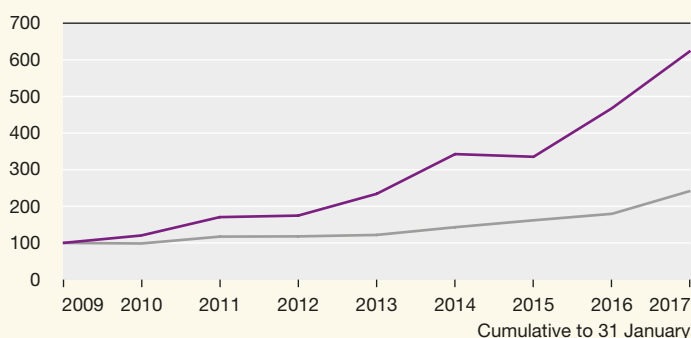
Name	Date of appointment	Due date for re-election
MN Donaldson	1 August 2014	AGM in 2018
PF Charig	25 February 2005	AGM in 2017
IA McLaren	16 January 2009	AGM in 2018
MR Somerset Webb	4 October 2011	AGM in 2018
SCN Somerville	17 June 2010	AGM in 2017

Company Performance

The following graph compares the total return (assuming all dividends are reinvested) to ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the Company's comparative index. 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 have been rebased to 100 at 31 January 2009)



Source: Thomson Reuters Datastream/Baillie Gifford.
See disclaimer on page 56.

— Baillie Gifford Shin Nippon's share price†
— Comparative Index*

† Total return (assuming net dividends are reinvested).

* The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms). Prior to 1 February 2010 the comparative index comprised a composite of the Tokyo Second Section Index, the TOPIX Small Index and the JASDAQ Index, weighted by market capitalisation, in sterling terms (this index was capital only due to the unavailability of total return data). For the purposes of the graph above the returns on these indices for their respective periods have been linked together to form a single comparative index.

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 29 and 30 was approved by the Board of Directors and signed on its behalf on 31 March 2017.

M Neil Donaldson
Chairman

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with applicable law and UK Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

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

- the Financial Statements, which have been prepared in accordance with applicable law and UK Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board
M Neil Donaldson
Chairman
31 March 2017

Notes

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

- The maintenance and integrity of the Baillie Gifford website is the responsibility of Baillie Gifford; 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.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the members of Baillie Gifford Shin Nippon PLC

Report on the financial statements

Our opinion

In our opinion, Baillie Gifford Shin Nippon PLC's financial statements (the 'financial statements'):

- give a true and fair view of the state of the Company's affairs as at 31 January 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements, comprise:

- the Balance Sheet as at 31 January 2017;
- the Income Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law (United Kingdom Generally Accepted Accounting Practice).

Our audit approach

Overview

Materiality

- Overall materiality: £2.3m which represents 1% of net assets.

Audit scope

- The Company is a standalone Investment Trust Company and has engaged Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as the Company's Alternative Investment Fund Manager and Company Secretary. Baillie Gifford & Co Limited have delegated the investment management function to Baillie Gifford and & Co (the 'Manager').
- We conducted our audit of the financial statements at Baillie Gifford & Co.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and the controls, and the industry in which the Company operates.

Areas of focus

- Income.
- Valuation and existence of investments.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

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

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus	Area of focus	How our audit addressed the area of focus
<p>Income</p> <p>Refer to page 27 (Audit Committee Report), page 40 (Accounting Policies) and pages 41 and 43 (notes).</p> <p>ISAs (UK & Ireland) presume there is a risk of fraud in income recognition. We considered this risk to specifically relate to the risk of overstating investment gains and the misclassification of dividend income as capital rather than revenue due to the pressure management may feel to achieve capital growth in line with the objective of the Company.</p> <p>We focused on the valuation of investments with respect to gains on investments and the accuracy and completeness of dividend income recognition and its presentation in the Income Statement asset out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP').</p> <p>Investment gains in the year amounted to £58.8m. Dividend income totalled £2.9m.</p>	<p>We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy.</p> <p>We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy.</p> <p>For investment gains and losses, we tested the valuation of the portfolio at the year end, together with testing the reconciliation of opening and closing investments. No misstatements were identified.</p> <p>We understood and assessed the design and implementation of key control surrounding income recognition. This included considering the relevant controls tested and reported upon through the Baillie Gifford & Co AAF01/06 and ISAE3402 Type II Reporting Accountants Assurance Report on Internal Controls for the year ended 30 April 2016 and reviewing the reports presented by Baillie Gifford & Co's Internal Auditors.</p> <p>In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared by a sample of investment holdings in the portfolio. Our testing did not identify any unrecorded dividends.</p> <p>We considered the allocation and presentation of dividend income between the income and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. No dividends were allocated to capital.</p> <p>We also tested a sample of journals to ascertain whether any inappropriate journals had been posted to income. No issues were identified.</p>	<p>Valuation and existence of investments</p> <p>Refer to page 27 (Audit Committee Report), page 40 (Accounting Policies) and page 43 (notes).</p> <p>The investment portfolio at the year-end 31 January 2017 comprised listed equity investments valued at £252m.</p> <p>We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements.</p>	<p>We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified by our testing which required reporting to those charged with governance.</p> <p>We tested the existence of the investment portfolio by agreeing the holdings for investments as at 31 January 2017 to an independent custodian confirmation from Bank of New York Mellon SA/NV. No differences were identified.</p>
		<p>How we tailored the audit scope</p> <p>We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Company, the accounting processes and controls, and the industry in which the Company operates.</p>	
		<p>Materiality</p> <p>The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.</p> <p>Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:</p>	
		<p>Overall materiality</p>	£2.3m (2016 – £1.6m).
		<p>How we determined it</p>	1% of net assets.
		<p>Rationale for benchmark applied</p>	Threshold at 1% of net assets which is in line with other investment trusts.
		<p>We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £116,000 (2016 – £82,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.</p>	

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 26, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

information in the Annual Report is:	<i>We have no exceptions to report.</i>
— materially inconsistent with the information in the audited financial statements; or	
— apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or	
— otherwise misleading.	

the statement given by the Directors on page 31, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit.	<i>We have no exceptions to report.</i>
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the section of the Annual Report on page 27, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	<i>We have no exceptions to report.</i>
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The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- the Directors' confirmation on page 6 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. We have nothing material to add or to draw attention to.
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. We have nothing material to add or to draw attention to.
- the Directors' explanation on page 7 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and the Directors' statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 31, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

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

Income Statement

For the year ended 31 January

	Notes	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Gains on investments*	8	–	58,830	58,830	–	32,548	32,548
Currency (losses)/gains†	13	–	(3,072)	(3,072)	–	21	21
Income	2	2,912	–	2,912	1,798	–	1,798
Investment management fee	3	(1,590)	–	(1,590)	(1,123)	–	(1,123)
Other administrative expenses	4	(386)	–	(386)	(362)	–	(362)
Net return before finance costs and taxation		936	55,758	56,694	313	32,569	32,882
Finance costs of borrowings	5	(544)	–	(544)	(423)	–	(423)
Net return on ordinary activities before taxation		392	55,758	56,150	(110)	32,569	32,459
Tax on ordinary activities	6	(291)	–	(291)	(180)	–	(180)
Net return on ordinary activities after taxation		101	55,758	55,859	(290)	32,569	32,279
Net return per ordinary share	7	0.26p	142.88p	143.14p	(0.78p)	87.14p	86.36p

* Gains on investments include gains and losses on disposals and holding gains and losses on the investment portfolio resulting from:
i) changes in the local currency fair value of the investments and, ii) movements in the yen/sterling exchange rate.

† Currency gains include: i) currency exchange gains and losses on yen bank loans, ii) exchange differences on the settlement of investment transactions and, iii) other exchange differences arising from the retranslation of cash balances.

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

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

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

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

Balance Sheet

As at 31 January

	Notes	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Investments held at fair value through profit or loss	8		251,680		177,731
Current assets					
Debtors	9	801		595	
Cash and cash equivalents	17	5,520		5,106	
			6,321		5,701
Creditors					
Amounts falling due within one year	10	(553)		(615)	
Net current assets			5,768		5,086
Total assets less current liabilities			257,448		182,817
Creditors					
Amounts falling due after more than one year	11		(23,576)		(19,427)
Net assets			233,872		163,390
Capital and reserves					
Called up share capital	12		4,040		3,778
Share premium account	13		40,094		25,733
Capital redemption reserve	13		21,521		21,521
Capital reserve	13		173,473		117,715
Revenue reserve	13		(5,256)		(5,357)
Shareholders' funds			233,872		163,390
Net asset value per ordinary share					
(after deducting borrowings at book value)	14		579.0p		432.5p
Net asset value per ordinary share					
(after deducting borrowings at fair value)	14		577.4p		431.0p
Net asset value per ordinary share					
(after deducting borrowings at par value)	14		578.8p		432.3p

The Financial Statements of Baillie Gifford Shin Nippon PLC (Company Registration Number SC093345) on pages 36 to 49 were approved and authorised for issue by the Board and were signed on its behalf on 31 March 2017.

M Neil Donaldson
Chairman

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

Statement of Changes in Equity

For the year ended 31 January 2017

	Notes	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 February 2016		3,778	25,733	21,521	117,715	(5,357)	163,390
Ordinary shares issued	13	262	14,361	–	–	–	14,623
Net return on ordinary activities after taxation	13	–	–	–	55,758	101	55,859
Shareholders' funds at 31 January 2017		4,040	40,094	21,521	173,473	(5,256)	233,872

For the year ended 31 January 2016

		Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 February 2015		3,718	23,317	21,521	85,146	(5,067)	128,635
Ordinary shares issued		60	2,416	–	–	–	2,476
Net return on ordinary activities after taxation		–	–	–	32,569	(290)	32,279
Shareholders' funds at 31 January 2016		3,778	25,733	21,521	117,715	(5,357)	163,390

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

Cash Flow Statement

For the year ended 31 January

	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Cash flows from operating activities				
Net return on ordinary activities before taxation	56,150		32,459	
Net gains on investments	(58,830)		(32,548)	
Currency losses/(gains)	3,072		(21)	
Finance costs of borrowings	544		423	
Overseas withholding tax	(252)		(160)	
Increase in accrued income and prepaid expenses	(379)		(193)	
Increase in creditors and prepaid income	102		31	
Cash inflow/(outflow) from operations		407		(9)
Interest paid		(509)		(416)
Net cash outflow from operating activities		(102)		(425)
Cash flows from investing activities				
Acquisitions of investments	(43,987)		(29,859)	
Disposals of investments	28,822		24,197	
Net cash outflow from investing activities		(15,165)		(5,662)
Shares issued	14,623		2,476	
Net cash inflow from financing activities		14,623		2,476
Decrease in cash and cash equivalents		(644)		(3,611)
Exchange movements		1,058		536
Cash and cash equivalents at 1 February		5,106		8,181
Cash and cash equivalents at 31 January*		5,520		5,106

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

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

Notes to the Financial Statements

1 Principal Accounting Policies

The Financial Statements for the year to 31 January 2017 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently. The Company has early adopted the amendments to Section 34 of FRS 102 regarding fair value hierarchy disclosures (see note 17 on page 49).

(a) Basis of Accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments and derivative 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 and Venture Capital Trusts' issued in November 2014.

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

The Company has only one material segment being that of an investment trust company, investing principally in small Japanese companies.

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

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

Purchases and sales of investments are accounted for 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 using methodologies consistent with the International Private Equity and Venture Capital Valuation guidelines.

Changes in the fair value of investments and gains and losses on disposal are recognised as capital items in the Income Statement.

(c) Cash and Cash Equivalents

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

(d) Income

- (i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.
- (ii) Interest from fixed interest securities is recognised on an effective yield basis.
- (iii) Overseas dividends include withholding tax deducted at source.
- (iv) Interest receivable on bank deposits are recognised on an accruals basis.
- (v) If scrip is taken in lieu of dividends in cash, the net amount of the equivalent cash dividend 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 an undiscounted basis on all timing differences which have originated but not reversed by the balance sheet date, calculated 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 are also funded from this reserve.

(j) Significant Estimates and Judgements

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

2 Income

	2017 £'000	2016 £'000
Income from investments		
Listed overseas dividends	2,912	1,798
Total income	2,912	1,798
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	2,912	1,798
Total income	2,912	1,798

3 Investment Management Fee – all charged to revenue

	2017 £'000	2016 £'000
Investment management fee	1,590	1,123

Details of the Investment Management Agreement are set out on page 21. With effect from 1 September 2016 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 quarterly. Prior to 1 September 2016 the fee was 0.95% on the first £50m of net assets and 0.65% on the remaining net assets.

4 Other Administrative Expenses

	2017 £'000	2016 £'000
General administrative expenses	248	220
Directors' fees (see Directors' Remuneration Report on page 29)	118	121
Auditor's remuneration – statutory audit of the Company's Financial Statements*	20	21
	386	362

* Fee for 2016 of £21,000 included a one-off fee of £2,000 for audit work relating to the introduction of FRS 102 and the new UK Corporate Governance Code.

5 Finance Costs of Borrowings

	2017 £'000	2016 £'000
Interest on bank loans	544	423

The bank loan interest disclosed includes £7,000 paid (2016 – £nil) in respect of yen deposits held at the custodian bank.

6 Tax on Ordinary Activities

	2017 £'000	2016 £'000
Analysis of charge in year		
Overseas taxation	291	180
Factors affecting tax charge for year		
The tax assessed for the year is lower (2016 – lower) than the standard rate of corporation tax in the UK of 20.00% (2016 – 20.17%)		
The differences are explained below:		
Net return on ordinary activities before taxation	56,150	32,459
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.00% (2016 – 20.17%)	11,230	6,547
Effects of:		
Capital returns not taxable	(11,152)	(6,569)
Income not taxable	(507)	(364)
Overseas withholding tax	291	180
Taxable losses in year not utilised	429	386
Total tax charge for the year	291	180

As an investment trust, the Company's capital gains are not subject to tax.

The standard rate of Corporation Tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profits for the year to 31 January 2017 are taxed at an effective rate of 20%.

Factors that may affect future tax charges

At 31 January 2017 the Company had a potential deferred tax asset of £2,705,000 (2016 – £2,679,000) on taxable losses which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been recognised on these losses as it is considered unlikely that the Company will make taxable revenue profits in the future and it is not liable to tax on its capital gains. The potential deferred tax asset has been calculated using a corporation tax rate of 17% (2016 – 20%).

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to retain approval for the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

7 Net Return per Ordinary Share

	2017 Revenue	2017 Capital	2017 Total	2016 Revenue	2016 Capital	2016 Total
Net return on ordinary activities after taxation	0.26p	142.88p	143.14p	(0.78p)	87.14p	86.36p

Revenue return per ordinary share is based on the net revenue gain on ordinary activities after taxation of £101,000 (2016 – loss of £290,000) and on 39,024,022 ordinary shares (2016 – 37,377,963) being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on the net capital gain for the financial year of £55,758,000 (2016 – net capital gain of £32,569,000) and on 39,024,022 ordinary shares (2016 – 37,377,963) being the weighted average number of ordinary shares in issue during the year.

There are no dilutive or potentially dilutive shares in issue.

8 Fixed Assets – Investments

	2017 £'000	2016 £'000
Financial assets at fair value through profit or loss		
Listed overseas – equity investments	251,680	177,731
Total investments in financial assets at fair value through profit or loss	251,680	177,731

	Listed equities £'000
Cost of investments held at 1 February 2016	94,763
Investment holding gains at 1 February 2016	82,968
Fair value of investments held at 1 February 2016	177,731
Movements in year:	
Purchases at cost	43,797
Sales – proceeds	(28,678)
– gains on sales	12,670
Changes in investment holding gains	46,160
Fair value of investments held at 31 January 2017	251,680
Cost of investments held at 31 January 2017	122,552
Investment holding gains at 31 January 2017	129,128
Fair value of investments held at 31 January 2017	251,680

The gains on sales of £12,670,000 and increase in investment holding gains of £46,160,000 include amounts relating to: i) changes in local currency fair value of the investments and, ii) movements in the yen/sterling exchange rate.

The purchases and sales proceeds figures above include transaction costs of £24,000 (2016 – £14,000) and £13,000 (2016 – £8,000) respectively.

Of the gains on sales during the year of £12,670,000 (2016 – gains of £8,630,000), a net gain of £6,098,000 (2016 – net gain of £6,840,000) was included in the investment holding gains at the previous year end.

	2017 £'000	2016 £'000
Net gains on investments		
Gains on sales	12,670	8,630
Changes in investment holding gains	46,160	23,918
	58,830	32,548

9 Debtors

	2017 £'000	2016 £'000
Sales for subsequent settlement	12	156
Other debtors	28	19
Prepayments and accrued income	761	420
	801	595

The debtors above are stated at amortised cost which is a reasonable approximation to fair value.

10 Creditors – amounts falling due within one year

	2017 £'000	2016 £'000
Purchases for subsequent settlement	–	190
Other creditors and accruals	553	425
	553	615

Included in creditors is £418,000 (2016 – £303,000) in respect of the investment management fee.
The creditors above are stated at amortised cost which is a reasonable approximation to fair value.

11 Creditors – amounts falling due after more than one year

	2017 £'000	2016 £'000
Bank loan	23,576	19,427

The bank loan is stated after deducting the arrangement fee of £123,000 which is amortised over the term of the loan. Amortisation of the arrangement fee during the year was £18,000 (2016 – £18,000).

Borrowing facilities

The Company has a 7 year fixed rate loan with ING Bank N.V. for ¥3,350 million – drawn down as follows:

At 31 January 2017

ING Bank N.V. – 7 year ¥3,350 million loan at 2.217% maturing 27 November 2020.

At 31 January 2016

ING Bank N.V. – 7 year ¥3,350 million loan at 2.217% maturing 27 November 2020.

The covenants during the year relating to the ING Bank N.V. loan were as follows:

- (i) Total borrowings shall not exceed 35% of the Company's net asset value; and
- (ii) The Company's minimum net asset value shall be £58 million.

There were no breaches in loan covenants during the year.

Security has been provided to ING Bank N.V. in respect of the loan by way of a floating charge.

Subsequent to the year end on 23 March the Company borrowed a further ¥2,000 million on a secured basis from ING, maturing 27 November 2020. The minimum net asset value covenant was increased to £75 million (and applied to both loans).

The interest rate and maturity profiles of the bank loan is shown in note 17.

12 Called Up Share Capital

	2017 Number	2017 £'000	2016 Number	2016 £'000
Allotted and fully paid ordinary shares of 10p each	40,395,497	4,040	37,775,497	3,778

At 31 January 2017 the Company had authority to buy back 5,726,254 shares. No shares were bought back during the year (2016 – nil). Share buy-backs are funded from the capital reserve.

During the year the Company issued 2,620,000 shares on a non pre-emptive basis at a premium to net asset value for net proceeds of £14,623,000 (2016 – 600,000 shares for net proceeds of £2,476,000).

13 Capital and Reserves

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 February 2016	3,778	25,733	21,521	117,715	(5,357)	163,390
Ordinary shares issued	262	14,361	–	–	–	14,623
Net gain on disposal of investments	–	–	–	12,670	–	12,670
Changes in investment holding gains	–	–	–	46,160	–	46,160
Exchange differences on bank loans	–	–	–	(4,131)	–	(4,131)
Exchange differences on settlement of investment transactions	–	–	–	200	–	200
Other exchange differences	–	–	–	859	–	859
Net revenue return for the year	–	–	–	–	101	101
At 31 January 2017	4,040	40,094	21,521	173,473	(5,256)	233,872

The capital reserve includes investment holding gains of £129,128,000 (2016 – gains of £82,968,000) as disclosed in note 8. The revenue reserve and the capital reserve (to the extent it constitutes realised profits) are distributable.

14 Net Asset Value per Ordinary Share

The net asset value per ordinary share and the net asset value attributable to the ordinary shareholders at the year end (deducting borrowings at book value) were as follows:

	2017	2016	2017 £'000	2016 £'000
Ordinary shares	579.0p	432.5p	233,872	163,390

Net asset value per ordinary share is based on the net assets as shown above and on 40,395,497 (2016 – 37,775,497) ordinary shares, being the number of ordinary shares in issue at the year end.

Deducting borrowings at par would have the effect of reducing the net asset value per ordinary share from 579.0p to 578.8p (2016 – reducing net asset value per ordinary share from 432.5p to 432.3p)

Deducting borrowings at fair value would have the effect of reducing the net asset value per ordinary share to 577.4p. Taking the market price of the ordinary shares at 31 January 2017 of 598.0p, this would have given a premium to net asset value of 3.6% as against 3.3% on the basis of deducting borrowings at par. At 31 January 2016 the net asset value after deducting borrowings at fair value was 431.0p. Taking the market value of the ordinary shares at 31 January 2016 of 448.0p, this would have given a premium to net asset value of 3.9%. The basis of deducting borrowings at par would have given a premium to net asset value of 3.6%.

15 Contingent Liabilities, Guarantees and Financial Commitments

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

16 Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 29. No Director has a contract of service with the Company. During the years reported no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

17 Financial Instruments and Risk Management

As an Investment Trust, the Company invests in small Japanese company securities 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 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 Company may enter into derivative transactions as explained in the Objective and Policy on page 6. No such transactions were undertaken in the year under review.

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

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 Managers both assess the exposure to market risk when making individual investment decisions and monitor the overall level of market risk across the investment portfolio on an ongoing basis. Details of the Company's investment portfolio are shown in note 8.

(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 Managers monitor the Company's yen exposure (and any other overseas currency exposure) and report to the Board on a regular basis. The Investment Managers assess 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 country in which a company is listed is not necessarily where 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 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 may also use forward currency contracts, although none 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.

	Investments £'000	Cash and deposits £'000	Bank loans £'000	Other debtors and creditors * £'000	Net exposure £'000
At 31 January 2017					
Yen	251,680	5,459	(23,576)	681	234,244
Total exposure to currency risk	251,680	5,459	(23,576)	681	234,244
Sterling	–	61	–	(433)	(372)
	251,680	5,520	(23,576)	248	233,872

* Includes net non-monetary assets of £23,000.

	Investments £'000	Cash and deposits £'000	Bank loans £'000	Other debtors and creditors * £'000	Net exposure £'000
At 31 January 2016					
Yen	177,731	5,049	(19,427)	121	163,474
Total exposure to currency risk	177,731	5,049	(19,427)	121	163,474
Sterling	–	57	–	(141)	(84)
	177,731	5,106	(19,427)	(20)	163,390

* Includes net non-monetary assets of £15,000.

17 Financial Instruments and Risk Management (continued)

Currency Risk (continued)

Currency Risk Sensitivity

At 31 January 2017, if sterling had strengthened by 10% against the yen, with all other variables held constant, total net assets and net return on ordinary activities after taxation would have decreased by £23,424,000 (2016 – £16,347,000). A 10% weakening of sterling against the yen, with all other variables held constant, would have had a similar but opposite effect on the Financial Statement amounts.

(ii) Interest Rate Risk

Interest rate movements may affect directly 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 financial assets and liabilities at 31 January 2017 is shown below. There was no significant change to the interest rate risk profile during the year.

Financial Assets

	2017 Fair value £'000	2017 Weighted average interest rate	2016 Fair value £'000	2016 Weighted average interest rate
Cash:				
Yen	5,459	nil	5,049	nil
Sterling	61	0.01%	57	0.01%
	5,520		5,106	

The 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 financial liabilities at 31 January was:

	2017 Book value £'000	2017 Weighted average interest rate	2017 Weighted average period until maturity	2016 Book value £'000	2016 Weighted average interest rate	2016 Weighted average period until maturity
Bank loans:						
Yen denominated – fixed rate	23,576	2.2%	46 months	19,427	2.2%	58 months

An interest rate risk sensitivity analysis has not been performed as the Company does not hold bonds and has borrowed funds at a fixed rate of interest.

(iii) Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets. The Company's exposure to changes in market prices relates to the fixed asset investments as disclosed in note 8.

The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Managers. 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 to 18. In addition, a list of the 20 largest holdings together with various analyses of the portfolio by industrial sector and exchange listing are shown on pages 15 and 16.

107.6% of the Company's net assets are invested in Japanese quoted equities (2016 – 108.8%). A 10% increase in quoted equity valuations at 31 January 2017 would have increased total net assets and net return on ordinary activities after taxation by £25,168,000 (2016 – £17,773,000). A decrease of 10% would have had an equal but opposite effect. This analysis does not include the effect on the management fee of changes in quoted equity valuations.

17 Financial Instruments and Risk Management (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 in normal market conditions as the majority of the Company's assets are in investments that are readily realisable.

The Company's investment portfolio is in Japanese small-cap equities which are typically less liquid than larger capitalisation stocks. The Managers monitor the liquidity of the portfolio on an ongoing basis and relevant guidelines are in place.

The Board provides guidance to the Investment Managers as to the maximum exposure to any one holding (see Objective and Policy on page 6).

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

	2017 £'000	2016 £'000
In less than one year:		
– accumulated interest	533	440
In more than one year but not more than five years:		
– repayment of loan	23,653	19,507
– accumulated interest	1,502	1,677
	25,688	21,624

The Company has the power to take out borrowings, which gives it access to additional funding when required.

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:

- The Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Depositary has delegated the custody function to Bank of New York Mellon SA/NV London Branch. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Investment Managers monitor the Company's risk by reviewing the custodian's internal control reports and reporting their findings to the Board;
- Investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Managers. 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 Managers; and
- At 31 January 2017 and 2016, all cash deposits were held with the custodian banks. The credit risk of the custodian is reviewed as detailed above. Cash may also be held at banks that are regularly reviewed by the Managers. If the credit rating of a bank where a cash deposit was held fell significantly, the Managers would endeavour to move the cash to an institution with a superior credit rating.

Credit Risk Exposure

The maximum exposure to credit risk at 31 January was:

	2017 £'000	2016 £'000
Cash and deposits	5,520	5,106
Debtors	778	580
	6,298	5,686

None of the Company's financial assets are past due or impaired.

17 Financial Instruments and Risk Management (continued)

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 the loans is shown below.

	2017 Book value £'000	2017 Par value £'000	2017 Fair* value £'000	2016 Book value £'000	2016 Par value £'000	2016 Fair* value £'000
Fixed rate yen bank loans	23,576	23,653	24,216	19,427	19,507	20,022

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

Capital Management

The capital of the Company is its share capital and reserves as set out in note 13 together with its borrowings (see note 11). The Company's investment objective and policy is set out on page 6. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on pages 6 to 7 and pages 25 to 26, respectively. The Company has the ability to buy back and issue shares (see pages 22 and 23) and changes to the share capital during the year are set out in note 12. The Company does not have any externally imposed capital requirements other than the covenants on its loan which are detailed in note 11.

Fair Value of Financial Instruments

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

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

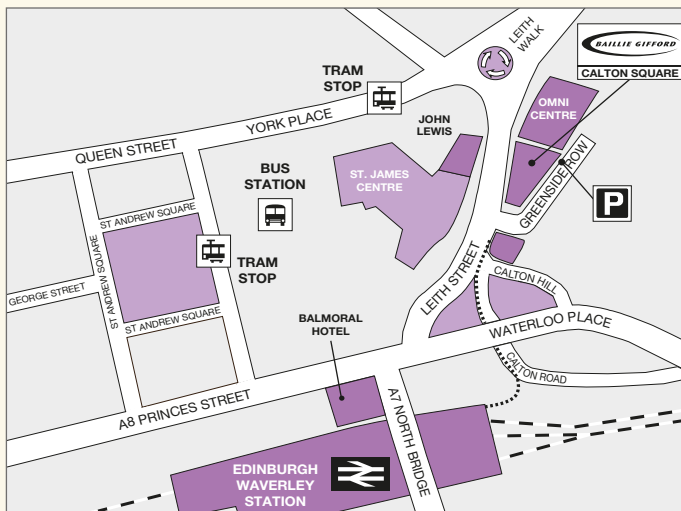
Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data);
and

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

The valuation techniques used by the Company are explained in the accounting policies on page 40.

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

Notice of Annual General Meeting



The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 18 May 2017 at 10.00am.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 027 0133.

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 second Annual General Meeting of Baillie Gifford Shin Nippon PLC will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 18 May 2017 at 10.00am 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 ended 31 January 2017 with the Reports of the Directors and of the Independent Auditors thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Annual Report on Remuneration for the year ended 31 January 2017.
4. To re-elect Mr PF Charig as a Director.
5. To re-elect Mr SCN Somerville as a Director.
6. To appoint KPMG LLP as Independent Auditors 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.
7. To authorise the Directors to determine the remuneration of the Independent Auditors of the Company.
8. 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 £1,367,349.90 (representing 33.33% of the Company's total issued share capital as at 29 March 2017), 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 9 and 10 as Special Resolutions:

9. That, subject to the passing of Resolution 8 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 8 above and to sell treasury shares wholly 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 after such expiry and the Directors may allot equity securities 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 up to an aggregate nominal value of £410,204.90 being approximately 10% of the nominal value of the issued share capital of the Company, as at 29 March 2017.

10. 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 10 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 6,148,972 being 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 10 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; 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 Company's Annual General Meeting to be held in respect of the year ending 31 January 2018, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

By order of the Board
Baillie Gifford & Co Limited
Managers and Secretaries
12 April 2017

Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the Financial Statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or www.eproxyappointment.com no later than 2 days (excluding non-working days) before the time of the meeting or any adjourned meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 2 days (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

Shareholder Information

5. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan or the Baillie Gifford Investment Trust ISA who wish to vote and/or attend the meeting must complete and return the enclosed reply-paid Form of Direction.
9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and Section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 48 hours (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 Auditors' 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.shinnippon.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 29 March 2017 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 41,020,497 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 29 March 2017 were 41,020,497 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 proxy will need to ensure that both he and his 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 Shin Nippon 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 pages 54 and 55 for details). If you are interested in investing directly in Baillie Gifford Shin Nippon, you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting the investment trust pages at www.bailliegifford.com.

Sources of Further Information on the Company

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

Baillie Gifford Shin Nippon Share Identifiers

ISIN GB0000706274

Sedol 0070627

Ticker BGS

Legal Entity Identifier X5XCIPCJQCSUF8H1FU83

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.

Key Dates

The Annual Report and Financial Statements are normally issued in March or early April and the AGM is normally held at the end of April or during May.

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:

	Apportioned cost	First day of dealing value
Cost of each ordinary share	47.25p	44.5p
Cost of fraction for warrant	2.75p	13.5p
	<hr/> 50.00p	

The cost for capital gains tax purposes to shareholders who subscribed for the conversion shares, subsequently converted into new ordinary shares (with warrants attached) is apportioned between the ordinary shares and the warrants as set out in the placing and offer document dated 18 May 1994.

The attributable costs are:

	Apportioned cost	First day of dealing value
Cost of each ordinary share	164.81p	178.00p
Cost of each warrant 2005	76.85p	83.00p

If shareholders are in any doubt as to their personal taxation position they should consult their professional advisers.

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 3223.

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.

By quoting the reference number on your share certificate you can check your holding on the Registrar's 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.investorcentre.co.uk/eproxy.

If you have any questions about this service please contact Computershare on 0370 889 3223.

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.

Where this has been received in a country where the provision of such a service would be contrary to local laws or regulations, this should be treated as information only.

Shareholder Information

These Financial Statements have been approved by the Directors of Baillie Gifford Shin Nippon PLC. Baillie Gifford Savings Management Limited (BGSM) is the ISA Manager of the Baillie Gifford Investment Trust ISA and the Manager of the Baillie Gifford Investment Trust 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 Shin Nippon's Directors may hold shares in Baillie Gifford Shin Nippon and may buy or sell such shares from time to time.

Analysis of Shareholders at 31 January

	2017 Number of shares held	2017 %	2016 Number of shares held	2016 %
Institutions	7,394,831	18.3	7,058,711	18.7
Intermediaries	27,913,252	69.1	25,668,223	68.0
Individuals*	2,544,043	6.3	2,845,297	7.5
Baillie Gifford Share Plans/ISA	2,481,947	6.1	2,115,271	5.6
Marketmakers	61,424	0.2	87,995	0.2
	40,395,497	100.0	37,775,497	100.0

* Includes all holdings under 5,000 shares.

Cost-effective Ways to Buy and Hold Shares in Baillie Gifford Shin Nippon



The Baillie Gifford Investment Trust Share Plan available at www.shinnippon.com



The Baillie Gifford Children's Savings Plan available at www.shinnippon.com

Baillie Gifford Savings Management Limited offers a number of plans that enable you to buy and hold shares in Baillie Gifford Shin Nippon 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 year
- Save 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;
- set up a direct debit to make regular investments;
- 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. Certain restrictions apply where there is more than one holder.

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 58).

Risks

Past performance is not a guide to future performance.

Baillie Gifford Shin Nippon is a UK listed company. The value of the shares can fall as well as rise and you may not get back the amount you invested.

As Baillie Gifford Shin Nippon 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 Shin Nippon 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 Shin Nippon can make use of derivatives. The use of derivatives may impact on its performance. Currently the Company does not make use of derivatives.

Baillie Gifford Shin Nippon 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.

Baillie Gifford Shin Nippon invests 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.

The Company's exposure to a single market and currency may increase risk.

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 generation of income is less important than the aim of achieving capital growth and it is unlikely that the Company will provide a steady, or indeed any, income.

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

The favourable tax treatment of ISAs may change.

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

The information and opinions expressed in this document are subject to change without notice.

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, including how charges are applied, can be found at www.shinnippon.co.uk, or by calling Baillie Gifford on 0800 917 2112.

This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

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) and the numerical remuneration disclosures in respect of the AIFM's first relevant reporting period (year ended 31 March 2016) are available at www.bailliegifford.com.

The Company's maximum and actual leverage levels (see Glossary of Terms on page 57) at 31 January 2017 are as follows:

Leverage

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.10:1	1.10:1

Automatic Exchange of Information

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

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, Baillie Gifford Shin Nippon 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.

Shareholders, excluding those whose shares are held in CREST, who come on to the share register with effect from 1 January 2016 will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders <https://www.gov.uk/government/publications/exchange-of-information-account-holders>.

Third Party Data Provider Disclaimer

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Glossary of Terms

Total Assets

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

Net Asset Value

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

Net Asset Value (Borrowings at Fair Value)

Borrowings are valued at an estimate of their market worth. The Company's yen denominated loans are fair valued with reference to a Japanese government bond of comparable yield and maturity.

Net Asset Value (Borrowings at Book Value)

Borrowings are valued at adjusted net issue proceeds. The Company's yen denominated loans are valued at their sterling equivalent and adjusted for their arrangement fees.

Net Asset Value (Borrowings at Par Value)

Borrowings are valued at their nominal par value. The Company's yen denominated loans are valued at their sterling equivalent.

Net Liquid Assets

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

Discount/Premium

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. The Company does not pay a 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.

Gearing represents its cash 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.

Communicating with Shareholders



Trust Magazine

Trust Magazine

Trust is the Baillie Gifford investment trust magazine which is published three times 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 Shin Nippon. *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.

An online version of *Trust* can be found at www.bgtrustonline.com.

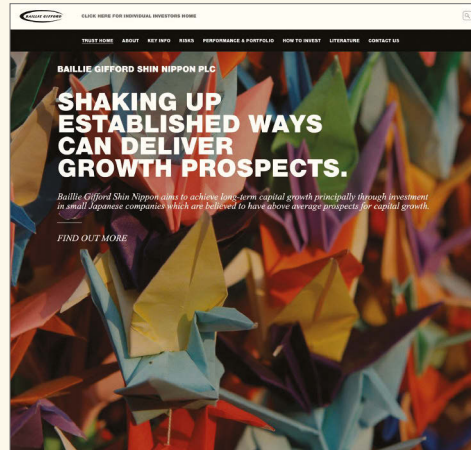
Baillie Gifford Shin Nippon on the Web

Up-to-date information about Baillie Gifford Shin Nippon, including a monthly commentary, recent portfolio information and performance figures, can be found on the Company's page of the Managers' website at www.shinnippon.co.uk.

You can also find a brief history of Baillie Gifford Shin Nippon, 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 Shin Nippon or the plans described on pages 54 and 55.



A Shin Nippon web page at www.shinnippon.co.uk

Literature in Alternative Formats

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

Client Relations Team Contact Details

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

Telephone: 0800 917 2112

Your call may be recorded for training or monitoring purposes.

E-mail: trusenquiries@bailliegifford.com

Website: www.bailliegifford.com

Fax: 0131 275 3955

Client Relations Team

Baillie Gifford Savings Management Limited
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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.



The Directors
Baillie Gifford Shin Nippon plc
Calton Square
1 Greenside Row
Edinburgh
EH1 3AN

31 March 2017

Dear Sirs,

Statement of Reasons connected with ceasing to hold office as Auditors

In accordance with Section 519 of the Companies Act 2006 (the “Act”), we set out below the reasons connected with PricewaterhouseCoopers LLP, registered auditor number CO01004062, ceasing to hold office as auditors of Baillie Gifford Shin Nippon plc, registered no: SC093345 (the “Company”) effective from 18 May 2017.

The reason we are ceasing to hold office is that the Company undertook a competitive tender process for the position of statutory auditor and we mutually agreed with the Audit Committee not to participate due to the time of our tenure.

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

Yours faithfully,

A handwritten signature in black ink that reads 'PricewaterhouseCoopers LLP'.

PricewaterhouseCoopers LLP

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

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Directors

Chairman:
MN Donaldson

PF Charig
IA McLaren
MR Somerset Webb
SCN Somerville

Alternative Investment Fund Managers, Secretaries and Registered Office

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Company Registration
No. SC093345
ISIN GB0000706274
Sedol 0070627
Ticker BGS

Legal Entity Identifier:
X5XCIPCJQCSUF8H1FU83