BAILLIE GIFFORD SHIN NIPPON PLC

Investing in new opportunities in Japan

Annual Report and Financial Statements
31 January 2022

BAILLIE GIFFORD

Contents

Investor Disclosure Document

The UK Alternative Investment Fund Managers Regulations 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 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 holding in Baillie Gifford Shin Nippon PLC, please forward this document, together with accompanying documents, but not your personalised Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.

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

Financial Highlights – Year to 31 January 2022

Total Returns*

Share Price -28.5%	NAV -24.1% (borrowings at book value)	NAV -24.1% (borrowings at fair value†)	Comparative Index -4.3%

* Source: Refinitiv/Baillie Gifford. Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 69 and 70 and comparatives for 2021 on page 4.

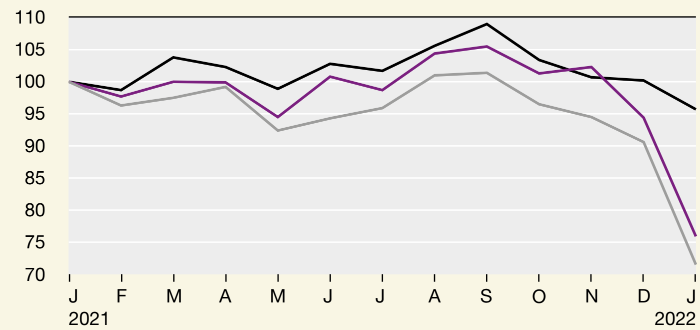
NAV, Share Price and Comparative Index

(figures rebased to 100 at 31 January 2021)

Share price

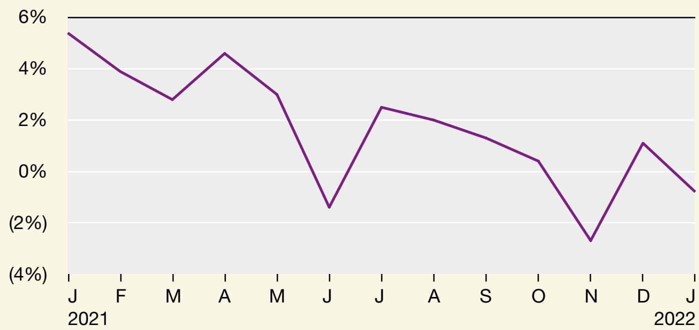
NAV (after deducting borrowings at fair value†)

Comparative Index#



Premium/(discount)†

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



† Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 69 and 70.
# The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms).
Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 68.

Past performance is not a guide to future performance.

Cover image: The paper lantern has become a readily recognisable part of Japanese life that has a long history steeped in Japanese and Asian culture.

Strategic Report

This Strategic Report, which includes pages 2 to 25 and incorporates the Chairman's Statement has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

Performance

As highlighted in my prior reports, your Board reviews performance principally over rolling three-year periods. Over this period, to 31 January 2022, the Company's comparative index (MSCI Japan Small Cap Index, total return in sterling terms) return appreciated by 10.4%. Shin Nippon's net asset value per share* ('NAV') appreciated by 10.9% during this period and its share price by 1.9%.

Whilst frustrating that the returns over the three years are not stronger, they need to be set against the backdrop of 2021 when there was a pronounced shift in investor sentiment away from high growth smaller businesses, despite their good ongoing operational performance, in favour of larger and more cyclically exposed companies. Over the year to 31 January 2022, Shin Nippon's NAV per share declined by 24.1% and its share price by 28.5%. The comparative index declined by 4.3%. Having started the period at a 5.4% premium, the Company's shares ended the period at a 0.8% discount to the NAV per share.

Until the current reporting period, the Managers' stock picking approach, which aims to identify young, entrepreneurial and disruptive Japanese companies, had produced impressive results over several years. This approach pays little attention to the composition of the comparative index when constructing the portfolio and consequently the portfolio differs quite markedly from it. It is therefore not unexpected to have a period when performance is not as hoped and indeed it would be odd for this not to be the case; shareholders should expect periods of underperformance. In the Managers' Report on pages 11 to 13, you will find a more detailed explanation of the more recent performance and commentary on some of the holdings, as well as performance numbers over five and ten years.

Borrowings

The Managers, with the Board's support, continue to use gearing. Over the course of the year invested gearing increased from 8% to 11% and potential gearing from 9% to 16%. Total borrowings increased by ¥5bn (£32.3m) to ¥14.1bn (£91.1m) as the Company drew ¥5bn from a new three-year fixed rate facility with an interest rate of 1.4%.

During the year the yen weakened against sterling by 7.0%. The Company undertook no currency hedging during the year and has no plans to do so.

Revenue Return and Ongoing Charges

Revenue return per share was a positive 0.29p compared to a loss of 0.05p the prior year. The revenue reserve remains in deficit therefore the Company is not in a position to pay a dividend.

It is pleasing to note however that the Company's ongoing charges were 0.66% compared to 0.71% a year earlier.

Share Issuance and Buybacks

During the course of the year the Company issued 12.96m shares (4.3% of the issued share capital as at 31 January 2021) at a premium to NAV per share, raising £31.4m of new capital. This was undertaken when there was a notable imbalance between demand and supply. In addition to the issuance helping manage the share price premium to NAV, the Board is of the view that increasing the size of the Company helps to improve liquidity, reduces costs per share and increases the appeal of the Company to a wider range of shareholders.

As part of this year's Annual General Meeting ('AGM') business, authority will once again be sought to approve share issuance, on a non pre-emptive basis, of up to 10% of the Company's issued share capital. Any share issuance would be undertaken at a premium to NAV per share and therefore be NAV accretive for existing shareholders.

Although no shares were bought back during the year, there will also be an AGM resolution to authorise the approval of share buy backs should the shares start trading at a substantial discount to NAV per share. As with issuing shares at a premium, buying back shares at a discount enhances the net asset value attributable to all existing shareholders.

Board Composition and Governance

Merryn Somerset Webb will not be seeking re-election as a Director at our AGM on 12 May 2022. I would like to place on record the Board's huge gratitude for the support Merryn has given the Company over the past 10 years. I am pleased to report that the Board has agreed to appoint Sethu Vijayakumar as the Company's Senior Independent Director following Merryn's departure.

I am also pleased to report the appointment of two new Directors. Claire Finn joined the Board on 1 November 2021 and Abigail Rotheroe on 1 March 2022. Claire has lived and worked in Japan and brings with her a wealth of relevant experience. Abigail is a former fund manager specialising in Asian (including Japanese) equities who has recently moved into impact investing and sustainability. Both appointments are subject to shareholder approval at the AGM in May.

During the year an external agency, Fletcher Jones, was commissioned to conduct an independent evaluation of both the Board and the Chairman. I am pleased to report a satisfactory outcome to this process.

Past performance is not a guide to future performance.
Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 68.
* After deducting borrowings at fair value. For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

Environmental, Social and Governance (ESG)

The consideration of ESG factors is part of the long term, active, patient and growth focussed approach to investment by our Managers. Your Board is pleased with the focus the Managers place on ESG and the resources applied to it. ESG in its widest sense is a broad and complex subject and it features as part of every Board meeting. Along with additional training undertaken, the appointment of Abigail strengthens the Board's oversight of such matters. No doubt there will be more to report on ESG in future years as further research and techniques are developed to evolve the integration of ESG issues into the investment decision making process.

Annual General Meeting

I am pleased to report that as matters stand, it is intended that this year's AGM will take place in person at Baillie Gifford's offices in Edinburgh at 9.30am on Thursday 12 May 2022. The Managers will be presenting and the Board and I look forward to seeing as many of you there as possible. Should circumstances change, and shareholders not be permitted to attend the AGM, further information will be made available through the Company's website at shinnippon.co.uk and the London Stock Exchange regulatory news service.

Outlook

2021 created a difficult backdrop for small cap growth investing in Japan. The favourable environment for disruptive small caps stalled last year. This was particularly pronounced due to their inherent characteristics: many are embryonic, operate in niche areas and have sparse investment analyst coverage. The share price underperformance of high growth businesses is disappointing but perhaps not unusual as one period of strong outperformance will often lead to a period of underperformance. Over the course of the last year, investor sentiment shifted away from the growth companies in which we invest in favour of so-called value names. That said, sentiment and macro matters often have no bearing on the fundamentals of small cap growth businesses adding significant value over longer, more meaningful, time periods as can clearly be demonstrated by Shin Nippon's five-year performance.

The appalling situation developing in Ukraine has weighed heavily on global markets and the Company's share price and NAV are not immune. There is a key emerging risk from the interconnectedness of global economies and the related exposure of the Company's portfolio to the societal and financial implications of the military conflict. This may well restrain growth in some of the Company's investments.

Our Managers will continue to promote a 'bottom-up' stock picking approach dedicated to researching and sourcing disruptive companies and technologies that will allow those businesses to outperform in the long term. A proposed Board trip to Japan has been postponed for two years and it is hoped that our trip, planned for November 2022, will proceed. This will allow your Board to visit existing and potential holdings within the portfolio. Inevitably after the disappointing short-term performance of the Company your Board will look to the Managers to reverse this trend by continuing to look for good quality companies which have the ability to challenge norms.

M Neil Donaldson
15 March 2022

One Year Summary

The following information illustrates how Shin Nippon has performed over the year to 31 January 2022.

	31 January 2022	31 January 2021	% change
Total assets (before deduction of bank loans)*	£643.8m	£761.3m	
Bank loans	£91.1m	£63.2m	
Shareholders' funds	£552.7m	£698.1m	
Net asset value per ordinary share (after deducting borrowings at fair value)†	175.8p	231.5p	(24.1)
Net asset value per ordinary share (after deducting borrowings at book value)*	175.9p	231.7p	(24.1)
Share price	174.4p	244.0p	(28.5)
Comparative index#			(4.3)
Yen/sterling exchange rate	154.59	143.77	(7.0)
(Discount)/premium (after deducting borrowings at fair value)†	(0.8%)	5.4%	
(Discount)/premium (after deducting borrowings at book value)†	(0.9%)	5.3%	
Revenue earnings per ordinary share	0.29p	(0.05p)	
Ongoing charges†	0.66%	0.71%	
Active share†	95%	95%	

Year to 31 January	2022	2022	2021	2021
Year's high and low	**High**	**Low**	**High**	**Low**
Net asset value per ordinary share (after deducting borrowings at fair value)†	263.2p	169.5p	251.4p	121.4p
Share price	268.0p	169.0p	270.0p	109.6p
Premium/(discount) (after deducting borrowings at fair value)†	5.0%	(4.7%)	13.3%	(17.0%)

	31 January 2022	31 January 2021
Net return per ordinary share		
Revenue return	0.29p	(0.05p)
Capital return	(56.95p)	55.96p
Total return	**(56.66p)**	**55.91p**

* See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.
† Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 69 and 70.
# The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms).
Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 68.

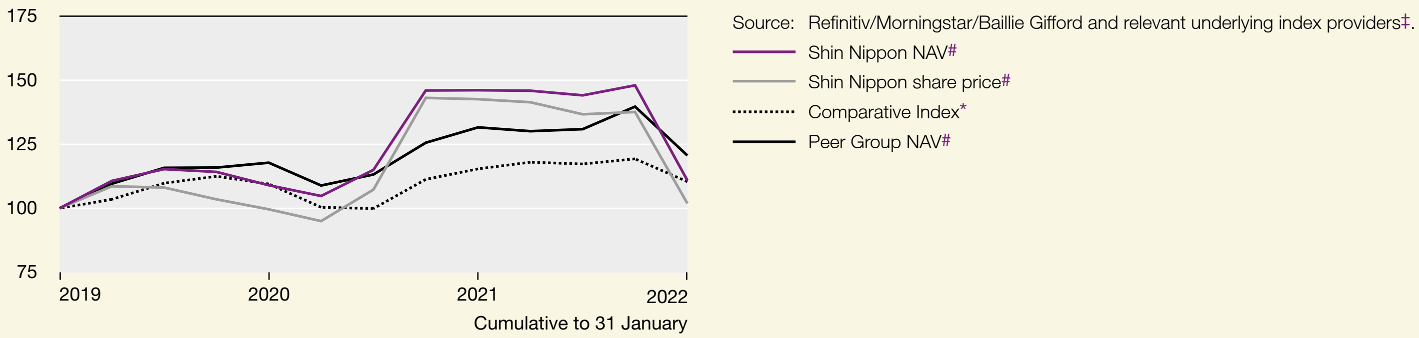
Past performance is not a guide to future performance.

Three Year and Five Year Performance Summary

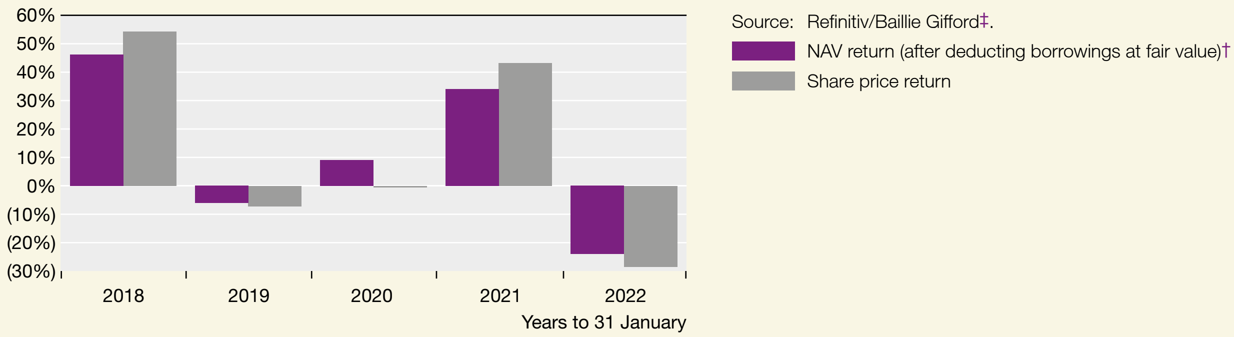
The following charts indicate how an investment in Shin Nippon has performed relative to its comparative index, peer group and its net asset value over three and five year periods to 31 January 2022. The Board reviews performance principally over rolling three year periods.

Three Year Performance

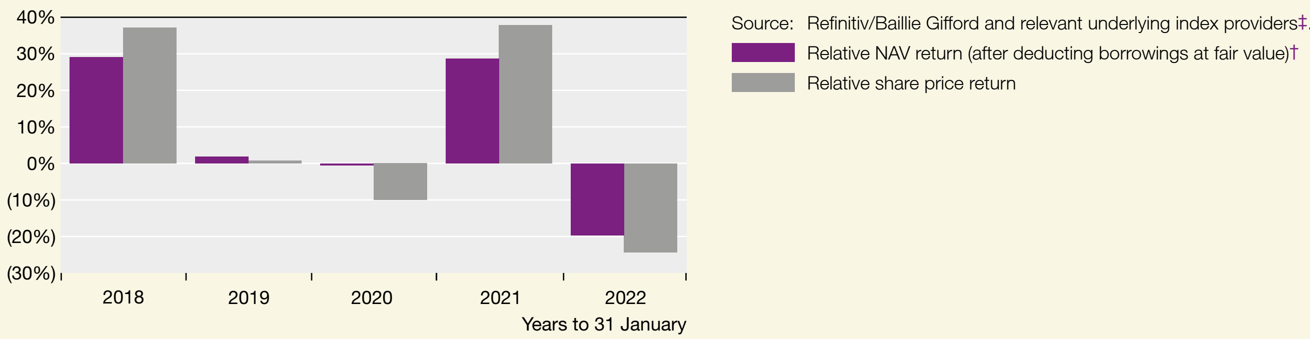
(figures rebased to 100 at 31 January 2019)



Annual change in Net Asset Value and Share Price



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



Total return. NAV data is after deducting borrowings at fair value (see Glossary of Terms and Alternative Performance Measures on pages 69 and 70. AIC peer group comprises: Atlantis Japan Growth, AVI Japan Opportunity, JP Morgan Japan Small Cap Growth & Income and Nippon Active Value; data is unweighted.

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

† See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

‡ See disclaimer on page 68.

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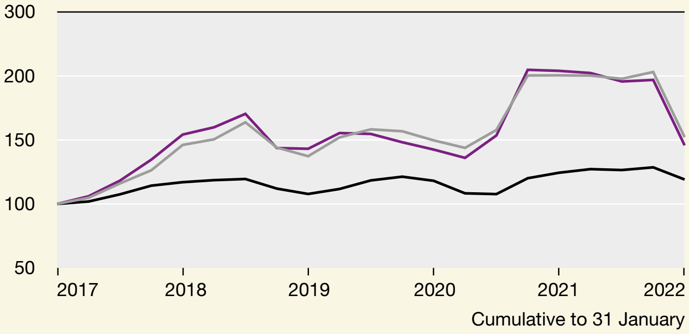
Five Year Performance

(figures rebased to 100 at 31 January 2017)



Source: Refinitiv/Baillie Gifford and relevant underlying index providers‡.

Share price

NAV (after deducting borrowings at fair value)#

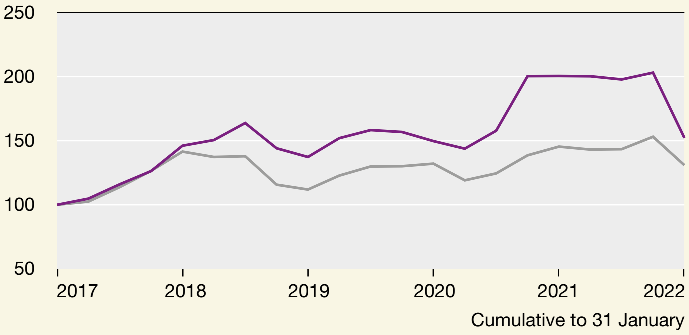
Comparative Index*

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

See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

Five Year Peer Group Performance

(figures rebased to 100 at 31 January 2017)



Source: Morningstar/Baillie Gifford‡.

Shin Nippon

Peer Group†

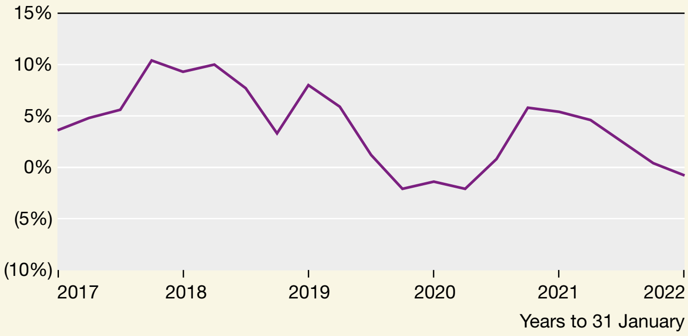
NAV total return (after deducting borrowings at fair value) in sterling terms#.

† AIC peer group comprises: Atlantis Japan Growth, AVI Japan Opportunity, JP Morgan Japan Small Cap Income & Growth and Nippon Active Value. Data is unweighted.

See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

Premium/(Discount) to Net Asset Value

(plotted on a quarterly basis)

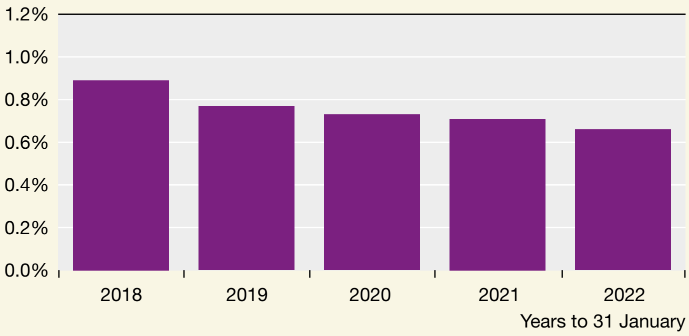


Source: Refinitiv/Baillie Gifford and relevant underlying index providers‡.

Shin Nippon premium/(discount)

The premium/(discount) 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 and Alternative Performance Measures on pages 69 and 70).

Ongoing Charges



Source: Baillie Gifford.

Ongoing charges are calculated as total operating costs divided by average net asset value (after deducting borrowngs at fair value) (see Glossary of Terms and Alternative Performance Measures on pages 69 and 70).

‡ See disclaimer on page 68.

Past performance is not a guide to future performance.

Business Review

Business Model

Business and Status

Baillie Gifford Shin Nippon PLC ('the Company') is a public company limited by shares and is incorporated in Scotland. 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 and the Investment Trust (Approved Company) Tax Regulations 2011.

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

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 80 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.

Holdings are limited to 5% of total assets at time of purchase. Any holding that, as a result of performance exceeds 5% of total assets 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 total assets will be invested in such companies or funds.

The portfolio is expected to consist of predominantly listed equity holdings, however unlisted investments may also be held. Holdings of unlisted investments shall not exceed 10% of the total assets of the Company in aggregate at the time of purchase.

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.

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 premium/discount of the share price to the net asset value per share; and

— the ongoing charges.

An explanation of these measures can be found in the Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

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 4 to 6 and on page 25.

Borrowings

The Company has ¥14,100 million (£91.1 million) fixed rate secured borrowings with ING Bank N.V. (2021 – ¥9,100 million (£63.2 million)) maturing between 27 November 2023 and 18 December 2024 as detailed on page 55.

During the year a new ¥5,000 million three year fixed rate secured loan at an interest rate of 1.40% was drawn down from ING Bank N.V.

Principal and Emerging Risks

As explained on pages 33 and 34 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 and emerging risks facing the Company, including those that would threaten its business model, future performance, regulatory compliance, solvency or liquidity. A description of these risks and how they are being managed or mitigated is set out below.

The Board considers the ongoing Covid-19 pandemic to be a factor which exacerbates existing risks, rather than a new emerging risk. Its impact is considered within the relevant risks.

Financial Risk – the Company's assets consist mainly 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 18 to the Financial Statements on pages 57 to 61. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 pandemic. 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. The Board has considered the potential impact on the yen/sterling exchange rate following the UK's departure from the European Union and subsequent trade agreement. The value of the Company's investment portfolio would be affected by any impact, positively or negatively, on sterling but would be partially offset by the effect of exchange movements on the Company's yen denominated borrowings.

Investment Strategy Risk – pursuing an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or 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 premium/discount to Net Asset Value at which the shares trade; and movements in the share register.

Climate and Governance Risk – as investors place increased emphasis on Environmental, Social and Governance (ESG) issues, perceived problems on ESG matters in an investee company could lead to that company's shares being less attractive to investors, adversely affecting its share price, in addition to potential valuation issues arising from any direct impact of the failure to address the ESG weakness on the operations or management of the investee company (for example in the event of an industrial accident or spillage). Repeated failure by the Investment Manager to identify ESG weaknesses in investee companies could lead to the Company's own shares being less attractive to investors, adversely affecting its own share price. This is mitigated by the Investment Manager's strong ESG stewardship and engagement policies which are available to view on the Managers' website: bailliegifford.com and have been reviewed and endorsed by the Company, and which are fully integrated into the investment process as well as the extensive up-front and ongoing due diligence which the Investment Manager undertakes on each investee company. This due diligence includes assessment of the risks inherent in climate change (see page 35).

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

Regulatory Risk – failure to comply with applicable legal and regulatory requirements such as the tax rules for investment trust companies, the FCA Listing Rules and the Companies Act could lead to suspension of the Company's Stock Exchange listing, financial penalties, a qualified audit report or the Company being subject to tax on capital gains. To mitigate this risk, Baillie Gifford's Business Risk, Internal Audit and Compliance Departments provide regular reports to the Audit Committee on Baillie Gifford's monitoring programmes. Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation is made to ensure that the special circumstances of investment trusts are recognised. Shareholder documents and announcements, including the Company's published Interim and Annual Report and Financial Statements, are subject to stringent review processes, and procedures are in place to ensure adherence to the Transparency Directive and the Market Abuse Directive with reference to inside information.

Custody and Depositary Risk – safe custody of the Company's assets may be compromised through control failures by the Depositary, including breaches of cyber security. 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.

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 (including any disruption resulting from the Covid-19 pandemic) or major disaster. Baillie Gifford has continued to operate on a business as usual basis throughout the Covid-19 pandemic. Following the relaxation of Covid-19 restrictions by the Scottish and UK Governments, Baillie Gifford has begun to see a gradual increase in office attendance. A hybrid model is now operating, with staff determining the most appropriate split between working from home and working in the office. 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. In the year under review, the other key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.

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. Details of the Company's borrowings can be found in note 11 on page 55. The majority of the Company's investments are in listed securities that are readily realisable. Further information on leverage can be found on page 69 and in the Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

Political Risk – political developments are closely monitored and considered by the Board. Following the departure of the UK from the European Union and the subsequent trade agreement between the UK and the European Union, the Board continues to assess the potential consequences for the Company's future activities including those that may arise from further constitutional change. The Board considers that the Company's portfolio of Japanese equities positions the Company to be suitably insulated from such political risks.

Emerging Risks – as explained on pages 33 and 34, the Board has regular discussions on principal risks and uncertainties, including any risks which are not an immediate threat but could arise in the longer term. The Board considers that the key emerging risks arise from the interconnectedness of global economies and the related exposure of the investment portfolio to emerging threats such as the societal and financial implications of the escalation of the Russia-Ukraine military conflict, cyber risk, and Covid-19 or similar public health threat. These are mitigated by the Investment Manager's close links to the investee companies and their ability to ask questions on contingency plans. The Investment Manager believes the impact of such events may be to impact growth rather than to invalidate the investment rationale over the long term.

Viability Statement

In accordance with provision 31 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. The Directors continue to believe that the prospects for Japanese small companies remain positive over the long term.

In considering the viability of the Company, the Directors have conducted a robust assessment of each of the principal and emerging risks and uncertainties detailed on pages 8 and 9 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 between November 2023 and December 2024. Although the Directors do not envisage difficulty with refinancing these facilities, the majority of the investments are quoted securities which are readily realisable and could be sold to repay borrowings if required. Similarly, investments can be realised to meet expenses to the extent that they exceed the portfolio income. Specific leverage and liquidity stress testing was conducted during the year, including consideration of the risk of further market deterioration resulting from the Covid-19 pandemic, and no matters of concern were noted. In addition, all of the key operations required by the Company are outsourced to third party service providers and it is reasonably considered that alternative providers could be engaged at relatively short notice.

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

Promoting the Success of the Company (Section 172 Statement)

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

a) the likely consequences of any decision in the long term;

b) the interests of the company's employees;

c) the need to foster the company's business relationships with suppliers, customers and others;

d) the impact of the company's operations on the community and the environment;

e) the desirability of the company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly as between members of the company.

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

Great importance is placed by the Board on communication with shareholders and the Annual General Meeting provides the key forum for the Board and Managers to present to shareholders on the performance of Shin Nippon and on the future plans/prospects for the Company. It also allows shareholders the opportunity to meet with the Board and Managers and to raise questions and concerns. Unfortunately, last year the Company was unable to invite shareholders to attend the AGM in May in person owing to the Government's Covid-19 restrictions. In June, the Managers uploaded a film to the Company's website (shinnippon.co.uk) explaining the Managers' approach to high-growth investing in Japan. The Chairman is available to meet with shareholders as appropriate and the Managers meet regularly with shareholders and their respective representatives, reporting back on views to the Board. Shareholders may also communicate with the Board at any time by writing to them at the Company's registered office or to the Company's broker and by emailing the Managers at trustenquiries@bailliegifford.com. These communication opportunities help inform the Board when considering how best to promote the success of the Company for the benefit of all shareholders over the long term.

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

Whilst the Company's operations are limited (with all substantive operations being conducted by the Company's third party service providers), the Board is keenly aware of the need to consider the impact of the Company's investment strategy and policy on wider society and the environment. The Board considers that its oversight of environmental, social and governance (ESG) matters is an important part of its responsibility to all stakeholders and that proper consideration of ESG factors sits naturally with Shin Nippon's long term approach to investment. Further details on the Managers' approach to stewardship and examples of engagement on these matters are provided on pages 19 and 20. The Board monitors the Managers' response to the current and anticipated global impact of climate change on its investment strategy. Further details on the Managers' engagement on these matters can be found in its annual Stewardship Report which is available on the Managers' website at bailliegifford.com.

The Board recognises the importance of keeping the interests of the Company's stakeholders, and of acting fairly between them, firmly front of mind in its key decision making and the Company Secretaries are at all times available to the Board to ensure that suitable consideration is given to the range of factors to which the Directors should have regard. In addition to ensuring that the Company's stated investment objective was being pursued, key decisions and actions during the year which have required the Directors to have regard to applicable section 172 factors include:

— the raising of over £31 million from new share issuance, at a premium to net asset value, in order to satisfy investor demand over the year and which serves the interests of current shareholders by reducing costs per share and helping to further improve liquidity;

— arranging a three year fixed rate loan from ING Bank N.V. at an attractive interest rate of 1.40% for the purpose of maintaining the relative gearing level of the Company which the Board believes will enhance long term returns to shareholders; and

— Ms CEC Finn and Ms AE Rotheroe were appointed during the year to enhance the breadth, depth and diversity of the Board.

Employees, Human Rights and Community Issues

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

Gender Representation

At 31 January 2022 the Board comprises six Directors, four male and two female. Ms AE Rotheroe was appointed to the Board on 1 March 2022 and Ms MR Somerset Webb will retire from the Board at the conclusion of the AGM on 12 May 2022.The Company has no employees. The Board's policy on diversity is set out on page 33.

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 35 and the Managers' approach to stewardship and examples of portfolio company engagement are set out on pages 19 and 20.

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 **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 pages 2 and 3 and in the Managers' Report on pages 11 to 13.

The Strategic Report which includes pages 2 to 25 was approved by the Board on 15 March 2022.

M Neil Donaldson
Chairman

Managers' Report

The past twelve months have been tough for high growth investors globally. Following a strong year in 2020, high growth stocks have seen a reversal in their share prices. Japanese small caps have been hit particularly hard as a number of external factors have soured investor sentiment. While we may be past the worst in terms of the human cost of the pandemic, supply chain disruptions and travel restrictions continue to weigh on Japanese small caps and these will take time to resolve. More positively, it appears to us that the pandemic is in its final throes and this is encouraging governments to loosen some of their current restrictions. However, as mentioned in the Chairman's Statement, the dreadful situation in Ukraine has resulted in more extreme volatility in global markets and it is likely that this will further impair high growth stocks at least in the medium term.

As noted in the Interim Manager's Report, there was moderate weakness in markets during the first six months of the year. However, the subsequent six months experienced an accelerated sell-off in small cap growth stocks. Although it is difficult to identify a single reason for this, we believe it is driven by a combination of external factors. There has been a noticeable shift in investor preference from the so-called 'pandemic winners' to traditional cyclical companies seen as beneficiaries of a return to normality. For instance, one of the best performing sectors over the past year has been shipping and transportation. The share price performance of most shipping companies over the past year has been exceptionally strong, and they constitute the bulk of the top ten performing stocks within the comparative index. Concerns around the Russia-Ukraine situation have contributed to a sharp rise in energy prices. This has resulted in significant share price gains amidst record profits at some oil and gas companies. More recently, the spectre of high inflation and rising interest rates has added to the list of market concerns. While these external factors require due consideration, to our mind, they have little bearing on the long-term growth prospects of high growth Japanese small caps. It is pleasing to note that despite these macro headwinds, operational performance at the majority of Shin Nippon's holdings over the past year continues to be strong.

Performance

Shin Nippon's investment philosophy is to seek and invest in disruptive and fast-growing smaller businesses run by young and dynamic entrepreneurs in Japan. These young businesses are often driving much needed change across the country. Despite these stocks being out of favour in the short-term, we continue to believe that remaining true to this investment philosophy provides us the best chance of generating significant shareholder returns in the long run. Our investment style and philosophy also mean that we are unlikely to invest in companies operating in traditional sectors. The latter may have performed exceptionally well in the short-term, but we see significant long-term structural challenges for such companies.

For the year ending 31 January 2022, Shin Nippon's NAV decreased by 24.1% compared to a fall of 4.3% in the MSCI Japan Small Cap Index (all figures total return and in sterling terms, NAV with borrowings at fair value). We are quite disappointed with this performance but given the weak sentiment around high growth Japanese small caps, it is perhaps no surprise that Shin Nippon has lagged. However, we believe a fairer way of looking at performance is to focus on the long-term. Over five and ten years, Shin Nippon's NAV has increased by 52.2% and 399.4%, compared to a rise of 19.1% and 144.6% respectively in the comparative index.

The share price weakness of many high growth holdings is disappointing to note given their fundamentals; most companies are continuing to achieve rapid sales and profit growth. It is heartening to see management teams of these companies not being afraid of investing for future growth despite the negative market sentiment. In some cases, these companies are also beginning to exercise their pricing power, given their strong competitive positions. Bengo4.com, one of Japan's leading online legal websites and digital contracts providers is on track to more than triple its profits year-on-year. Thanks to its strong market

WHAT WE LOOK FOR

- Disruptive business models and dynamic entrepreneurs
- Domestic champions and global leaders
- Secular growth and innovation: 'New Japan'

HOW WE INVEST

- Genuinely long-term: five years and beyond
- Fundamental, bottom-up research
- Growth

HOW WE ENGAGE

- Serious about engagement and alignment
- Dedicated Governance and Sustainability team
- Pragmatic approach

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 68.
Past performance is not a guide to future performance.
For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

position, it has been able to increase the price of some of its subscription plans. Despite a heavy investment burden, management also recently announced a share buyback programme which suggests they believe their shares to be undervalued given the strong long-term growth prospects of the business. KH Neochem, a manufacturer of complex, environmentally friendly chemicals used in air-conditioners, cosmetics and semiconductors, also raised prices over the past year. It operates in an oligopolistic industry and is one of three companies globally that can mass produce these high-purity chemicals. Longstanding holding MonotaRO, Japan's largest pure-play online retailer of maintenance, repair, and operations equipment, is investing aggressively despite a hit to short-term profits. The company is adding a new distribution centre that would increase its sales capacity by nearly 50%. It is an example of a company that is seeing continued strong demand for its products and is growing rapidly in the process, contrary to what its short-term share price direction might suggest.

Positive contributions to performance over the past year came from a wide range of sectors. Snow Peak, a camping equipment manufacturer, was among the best performing stocks. It is Japan's leading brand of high-end camping items and has a strong reputation within Japan's growing camping community. Camping as a recreational activity is seeing strong growth in Japan as an increasing number of 'second' baby boomers (those born in the early 1970s) and young families embrace this form of recreation. In the US, where the company is expanding aggressively, roughly one in three households now go camping, representing a huge market for the company. Outdoor camping has been a big beneficiary of the pandemic and Snow Peak's growth momentum has remained strong. Management is forecasting another period of high growth next year. Semiconductor equipment manufacturer Jeol was another strong performer. It has developed a unique semiconductor production device that allows end customers to significantly shorten production lead times. It is seeing strong demand for this product that is being used to manufacture the next generation of semiconductor chips.

Training and employment assistance provider Litalico also performed well over the past year. It works exclusively with disabled people and children with developmental difficulties. It targets the roughly five million adults and children in Japan who suffer from cognitive and mental disabilities. The Japanese government has put in place policies to improve access and employment opportunities for disabled people. As a pioneer in this area, Litalico is benefitting from these policies. Management have been trying to diversify their business in order to reduce their reliance on government subsidies. They have added numerous fee-paying business lines like computer programming for kids, financial planning for families with disabled members and after school and day-care services. These fee-paying segments are all growing rapidly, establishing Litalico as a leading one-stop-shop service provider in this niche area. Sportswear manufacturer Descente was another strong performer. It is seeing rapid growth in the large Chinese market where it has a joint venture with Anta Sports, one of China's largest home-grown trainers and sportswear brands.

Given the indiscriminate nature of the sell-off in growth stocks over the past year, it is no surprise to see many of Shin Nippon's internet holdings perform poorly in share price terms. As alluded to earlier, despite exceptional operational performance, Bengo4.com was among the largest negative contributors to performance. This is a classic example of a stock where the weak share price performance is very much at odds with strong operational progress. Japan's leading online food ordering and delivery company Demae-Can also performed poorly. As the nascent online food delivery market in Japan continues to expand, Demae-Can is steadily strengthening its position as the leading player. Management is investing aggressively in enhancing their delivery and logistics capabilities, generating over 100% annual sales growth in the process. However, this significant upfront investment is also resulting in large operating losses which was not taken well by the market. Management has ambitions of expanding beyond food delivery and have recently started delivery

Snow Peak is Japan's leading brand of high-end camping items.

services for daily necessities. Expansion into non-food categories significantly broadens Demae-Can's addressable market and could potentially be very exciting in terms of its future growth prospects. Online real estate company GA Technologies was another weak performer. It is attempting to automate the entire process of buying, selling and renting/leasing real estate properties through the use of its in-house developed suite of software tools and services. Its target market is quite large and is dominated by numerous small and mid-sized players with traditional business practices. GA Technologies is consistently taking share from these incumbents. Management has been investing aggressively to strengthen their software development capabilities and this is resulting in near-term operating losses.

Portfolio

We pay less attention to the comparative index and focus more on a company's individual attractions. Consequently, Shin Nippon's active share continues to be high at 95%, implying just a 5% overlap with the index. Portfolio turnover for the financial year was 13.4%, which is consistent with our philosophy of being patient and long-term investors with an investment horizon of at least five to ten years.

Among the new holdings purchased over the past year was Enechange, a disruptive and rapidly growing company that is run by its young, dynamic and Cambridge educated founder. Established in 2015, it has grown rapidly to become Japan's largest independent online energy switching service. Numerous independent power producers and suppliers have entered the Japanese energy market following its deregulation in 2016. Although this has meant more choice for the end consumer, a simple and easy to use service to help customers search and switch to the best deal available has been lacking. Enechange has filled this gap through its online switching model where it charges energy companies a commission each time customers switch to them. It also has a software-as-a-service business where it provides software tools to energy companies, allowing them to monitor, analyse and manage their energy distribution infrastructure in real-time, thereby reducing significant costs.

We also invested in Spiber, a private synthetic biology company founded by two Keio University bioinformatics students who currently serve as co-CEOs. It designs custom-made fibres from proteins that are manufactured on an industrial scale by genetically modified microbes. These custom-made fibres can then be used in prototyping new products for applications like apparels. Products made from these custom-made fibres can be an economically viable and environmentally friendly alternative to conventional textiles that contribute to environmental degradation, be it through the use of hydrocarbon-based feedstock, carbon emissions or water/energy consumption. Spiber has an opportunity to disrupt large swathes of not just the apparel industry but many other sectors with a significant carbon footprint. The company has made good progress in commercialisation, with their first commercial-grade plant in Thailand expected to start production soon. We also took a holding in Shima Seiki, a world leader in the production of automated flat-knitting machines. It developed the world's first 'Wholegarment' knitting machine that can 3D knit an entire garment seamlessly from start to finish, thereby reducing waste, saving time and cutting production costs. The apparel industry is notorious for using significant amounts of natural resources and generating large quantities of waste. There is an increasing awareness within the industry to remedy this resource intensity and we believe Shima Seiki's Wholegarment machine provides a very attractive option for companies.

We also sold a few holdings over the past year. Among these was JP Holdings, Japan's largest private sector child day-care services provider. We had hoped that the rising number of women participating in the labour market would lead to increased demand in childcare. However, this has not materialised to the extent that we had hoped. We were also concerned about increasing competition in the sector and were left underwhelmed by management's ability in being able to respond to this. We also sold longstanding holding H.I.S., Japan's largest travel operator. The company has suffered large losses in the wake of the pandemic induced travel disruption globally, leading to a significant deterioration of its balance sheet. Biotech company Nanocarrier was also sold from the portfolio following a series of disappointing clinical trial results of its main cancer drug.

Outlook

Although the sharp sell-off in high growth Japanese small caps has resulted in relative underperformance for Shin Nippon, we remain optimistic about the future growth prospects of the underlying holdings. As an investor, it can be unnerving to witness such a sharp drawdown in a short period of time. However, especially in these market conditions, we believe it is important to remain focussed on maintaining consistency in terms of our stated investment philosophy and process that has served shareholders well over longer periods of time. By ignoring market noise and focusing on company fundamentals, we give ourselves the best chance of picking exceptional growth companies that can deliver attractive long-term returns for shareholders. As noted in the Interim Manager's Report, the pandemic has caused wide-spread disruption to businesses and societies globally, but it is also serving to accelerate much needed and long overdue change in the way businesses operate. In Japan, a country steeped in tradition, we continue to see significant changes to working practices and consumer behaviour and preferences. All these changes are leading to new growth opportunities for Japanese small caps. The current weakness in stock markets has meant that valuations of high growth small caps in Japan are now at very attractive levels given their strong growth prospects and excellent operational progress. This presents us with an exciting opportunity to invest in such exceptional smaller companies that we believe will reward patient and long-term shareholders of Shin Nippon.

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 four pages.

Top Ten

Jeol

3.0% of total assets

Jeol is a specialist manufacturer of high-powered microscopes and other scientific analysis equipment. The company has strong global market positions in its niche markets which are growing on the back of increased R&D spending both by academia and the corporate sector. The company has a history of developing new products targeted at these areas. As an example, it has recently developed a direct electron beam mask writer that is used in the early stages of the semiconductor development process to etch circuit patterns onto a silicon substrate. This could disrupt the current method of using mask blanks to indirectly transfer patterns onto silicon substrates and open a significant market opportunity for the company.

Katitas

2.9% of total assets

Katitas is a specialist real-estate developer that buys and renovates old, abandoned homes before selling them on to first-time buyers. The problem of empty houses in Japan is reaching acute levels, resulting in a hollowing out of entire communities. There are an estimated 8 million old or abandoned houses across Japan, most of them vacant. A lot of these are ancestral homes which families, despite living elsewhere, are reluctant to sell. For authorities looking to regenerate local economies, the only option is to demolish these properties and build new establishments, often for business purposes. The families are reluctant to give up these properties for sentimental reasons. Katitas offers an attractive option for these families by offering to acquire these houses and the associated land for a reasonable price, renovate these to a high standard before selling them. In the process, Katitas also ends up playing a part in rejuvenating local communities. Because these houses are scattered across Japan, sourcing potential is quite difficult. Over the years, Katitas has developed a strong network of local contacts across Japan that ensures a steady supply of properties they can buy. The company generates very attractive margins despite selling these properties at a meaningful discount to new-build houses. Finally, second-hand home ownership in Japan is exceptionally low compared to other developed markets although this is changing and should provide a long-term tailwind for Katitas.

Descente

2.7% of total assets

Descente is a sportswear manufacturer. It has a portfolio of owned and licensed brands which include names like Descente, Le Coq Sportif, Umbro, and Srixon. Its portfolio of brands varies by price and category. For example, Descente is a high-end skiing and active-wear brand whereas Umbro is more of a mid-market brand best known for football. It has a heritage in performance sportswear, backed by research and development, which feeds into its product range, particularly at the higher end. Around 50% of its revenue comes from South Korea and 40% from Japan. China is a big opportunity for Descente where it has a joint venture with Anta Sports, China's largest sportswear brand by revenue. It appointed a new President in June 2019 signalling less of a reliance on the founding family. This followed on from trading house Itochu upping its stake in Descente to around 40%. This rejig should give Descente fresh impetus and it has set out plans to be more aggressive in China and refocus on profitability in Japan. It also seems confident that a downturn in its South Korea business is temporary in nature. On top of this, Olympic sporting years are ahead in both Japan and China. This along with health and well-being increasingly becoming a policy lever should be helpful. Overall, an improving demand backdrop along with a more focused strategy should mean sales and profit can grow meaningfully from here.

Litalico

2.7% of total assets

Litalico provides training and employment assistance for disabled people and educational services for children with developmental difficulties. It targets the roughly 5 million adults and children in Japan who suffer from cognitive and mental disabilities. The Japanese government has put in place policies to improve access and employment opportunities for disabled people. This should benefit the likes of Litalico that is one of the few players with nationwide coverage. The company is also developing new businesses to support its core operation of providing training and employment. These include computer programming for kids, financial planning for families with disabled members, and after school and day-care services. We think the growth opportunity for the company could be quite attractive given these tailwinds. It is also run by a young and dynamic President who owns a large stake in the business.

Sho-Bond specialises in reinforcing concrete structures with its proprietary resin.

Snow Peak

2.7% of total assets

Snow Peak is Japan's leading brand of high-end camping items with a line-up of around 800 products. It has a strong reputation within Japan's camping community and has a dedicated and growing user-base. Camping as a recreational activity is seeing strong growth in Japan as an increasing number of 'second' baby boomers (those born in the early 1970s) and young families embrace this form of recreation. In the US, where the company is expanding aggressively, one in three households now undertake camping, representing a large market for Snow Peak. The company is run by a father (founder) and daughter duo who between them own about 30% of the company, thereby ensuring strong alignment. The daughter is the chief designer of Snow Peak's products and has a background in fashion and design. We think the long-term growth prospects for the company could be quite exciting given the favourable industry background and its strong brand.

Sho-Bond

2.6% of total assets

Sho-Bond specialises in reinforcing concrete structures such as bridges, highways, and tunnels with its proprietary resin. The demand background has been improving due to the need to repair and replace some of the ageing infrastructure in Japan. The competitive environment has become more favourable for Sho-Bond as it operates a fabless model whereas competitors are more labour intensive and are suffering from cost escalations due to labour shortages in Japan. Through its business, Sho-Bond also addresses the problem of environmental degradation caused by excessive use of concrete whose manufacturing process can be very polluting. By using its expertise, it repairs, restores, and reinforces existing concrete structures thereby prolonging their useful life.

Megachips is a significant supplier of chips for Nintendo's gaming consoles.

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Megachips

2.5% of total assets

Megachips is a fabless semiconductor chip design company. The company is a significant supplier of chips for Nintendo's gaming consoles and has been enjoying strong growth thanks to the ongoing success of Nintendo's latest console, Switch. They also have a subsidiary called SiTime that is emerging as a global leader in microelectromechanical (MEMS) based timing components for electronic devices. These are more accurate and energy efficient than the current quartz-based timing components which are present in most electronic devices so the potential market opportunity for SiTime could be huge.

Raksul

2.3% of total assets

Raksul is an online cloud-based service provider that connects printing companies with end customers. The printing industry in Japan is very sizeable but quite traditional. It is also very inefficient in that a small number of printing companies get a large chunk of customer orders, leaving smaller and mid-sized players with very low-capacity utilisation. Online penetration also remains very low compared to other developed markets. Through its online platform, Raksul is attempting to modernise this industry by using its platform to efficiently allocate orders thereby improving utilisation rates across the sector. It also has another similar business called 'Hacobell' that acts as an on-demand order management platform connecting clients with small and medium sized trucking companies. This is like an 'Uber of logistics' and operates in an industry that is about 3x the size of the printing industry. The company is growing its sales rapidly and is run by a young and dynamic management team headed by the founder who has a large stake in the business.

Shoei

2.3% of total assets

Shoei is the leading manufacturer of premium motorcycle helmets globally. The market is expanding thanks to growth in emerging markets and barriers to entry are high given the strict safety requirements. Shoei has been operating in this niche market for over four decades and has established a strong and globally recognised brand. It operates exclusively at the premium end of the market and therefore, can make very high margins and returns. The company is run by a dynamic and sensible management team that have sought to maintain the high-end nature of its products and continue to engage in innovative product development.

Tsugami

2.2% of total assets

Tsugami is a machine tool manufacturer specialising in automatic lathes. It has high market shares in Japan and overseas, most notably China. It generates 80% of sales from overseas so the mature domestic market is of less importance to its long-term growth prospects. Within overseas, China accounts for just over half of total sales and is growing rapidly. Sales in China are undertaken by a subsidiary listed in Hong Kong and 71% owned by Tsugami. The end markets for Tsugami's products in China are huge and growing, and the company has built a strong reputation for product quality and service reliability given its nationwide network. Although quite small currently, Tsugami also has an Indian business that is growing fast in a market that is very immature. Management have indicated they might list the Indian subsidiary soon, following the same playbook as the Hong Kong subsidiary.

Tsugami has high market shares in Japan and overseas.

© Imago Images.

New Buys

Enechange

1.2% of total assets

Enechange is a young, disruptive, and rapidly growing company founded in 2015 by the current CEO Yohei Shiroguchi. He started this business whilst reading for a PhD at Cambridge University. Enechange operates two distinct businesses: 'Platform' and 'Data'. The platform business is an online service allowing individuals and businesses to switch their energy providers easily. Enechange charges a fixed percentage of a customer's monthly energy bill and also gets paid a one-off commission by the energy companies for each successful switch. The data business involves Enechange selling a SaaS package to energy companies that allows them to monitor, analyse, and manage their energy distribution infrastructure in real-time. Following deregulation in 2016, the Japanese energy market has seen a huge influx of smaller, independent power providers, offering competitive energy tariffs. This has encouraged a significant increase in customers switching to the best deals. The number of such switches remains quite small, thereby offering Enechange a large growth opportunity. It is also gaining traction with energy suppliers for its data business as these companies are keen to use customer data in terms of energy usage to improve their own efficiency and cut costs. Enechange is the only such provider of both the platform and the data business and is building a strong competitive position.

Spiber

1.1% of total assets

Spiber is a private Japanese bio-materials company spun out of Keio University in 2007. It was founded by two Keio University bioinformatics students who currently serve as co-CEOs and own around 12% of the company between them. It is an R&D led, vertically integrated bio-materials science business offering in-house end-to-end protein design, synthesis, evaluation, and manufacturing. In layman's terms, Spiber designs custom-made fibres from proteins that are manufactured on an industrial scale by genetically modified microbes. These custom-made fibres can then be used in prototyping new products across numerous applications. The appeal of innovative, bio-fabricated (i.e., made from engineered microbes) and biodegradable materials is obvious. They can be an economically viable and environmentally friendly alternative to conventional textiles that contribute to environmental degradation, be it through the use of hydrocarbon-based feedstock (over 60% of feedstock for conventional fibres comes from plastics), carbon emissions (the apparel and footwear industries alone account for nearly 10% of global greenhouse gas emissions) or water/energy consumption (textile production is said to account for 5 – 10% of global freshwater withdrawal). Spiber has an opportunity to disrupt large swathes of not just the apparel industry but many other sectors that currently use environmentally intensive raw materials. The company has made good progress in terms of commercialisation, with their first commercial-grade plant in Thailand expected to start production soon.

Toyo Tanso

0.8% of total assets

Toyo Tanso makes speciality carbon products and has a leading global share in isotropic graphite used in renewable energy equipment and semiconductor manufacturing. It also has a leading global share in silicon carbide coated graphite materials that are used in the manufacture of compound semiconductors. Due to its excellent heat resistance and durability, Toyo Tanso's isotropic graphite is a key consumable part of the heaters and crucibles used in the manufacturing process of monocrystal silicon which is the raw material for solar-cell devices and semiconductors. Both markets are expected to see strong growth in the coming years, thanks to the proliferation of devices that are using an increasing number of chips in them as well as the emphasis on increasing the use of renewable energy. Toyo Tanso's isotropic graphite and silicon carbide coated devices are high margin products and given the favourable industry backdrop, we believe this has the potential of transforming the company's margin and returns profile. This is a family run business with around 30% of the company being held by the family and related investment vehicles. We think this ensures strong long-term alignment with minorities.

Custom-made fibres from proteins are manufactured by genetically modified microbes and used in prototyping new products.

Kamakura Shinsho

0.5% of total assets

Kamakura Shinsho is an online end-of-life services business. It operates Japan's leading funeral consultation websites, such as Good Funeral, where prices can be compared, and advice sought from its team of specialist counsellors. Death is a notoriously expensive affair in Japan with concerned parties often in a vulnerable state. The current value-add proposition in this very traditional industry is questionable at best. We think Kamakura Shinsho's attempts to bring more transparency to this industry are admirable. With online penetration low in funerals and related services it has a big opportunity set to go after. This combined with Japan's well-known demographics and sizeable insider ownership makes the investment case compelling. It also has a few newer business lines like inheritance and tax planning which could become a bigger part of the whole over time.

Shima Seiki

0.2% of total assets

Shima Seiki is a world leader in the production of automated flat-knitting machines. It is family-run, with founder as chairman and his son as President. Each owns 3% and there is a further 8.4% held through a family trust. Founded in 1962, its computerised flat knitting machines were first used to knit gloves and socks, but their use has broadened out to general garment knitting and more recently, knitting for the industrial sector with carbon fibre. In 1995, Shima Seiki invented the world's first fully automated knitting machine (called 'Wholegarment') that can 3D knit an entire garment seamlessly from start to finish. Wholegarment has recently gained a lot of attention as a potential solution to the problem of excessive waste generated by the apparel industry, with the 'fast-fashion' segment being the chief culprit. The company's Wholegarment machine can significantly reduce apparel wastage and save time and money as it offers a complete end-to-end automated solution. We think there is likely to be a huge opportunity for Shima Seiki and its Wholegarment machine in future as the global apparel industry makes a serious effort to tackle waste and its own environmental footprint. Although there are at least a couple of competitors currently, Shima Seiki has by far the most advanced and sophisticated solution and management are constantly trying to reduce the cost of ownership further to encourage wider adoption.

Investment Changes

	Valuation at 31 January 2021 £'000	Net acquisitions/ (disposals) £'000	Appreciation/ (depreciation) £'000	Valuation at 31 January 2022 £'000
Equities:				
Consumer Discretionary	128,308	(13,799)	(3,043)	111,466
Consumer Staples	51,174	(1,157)	(18,163)	31,854
Communication services	64,813	7,925	(38,952)	33,786
Financials	46,608	12,581	(25,719)	33,470
Healthcare	81,922	1,110	(25,362)	57,670
Industrials	192,546	14,202	(32,302)	174,446
Information Technology	154,852	19,086	(38,750)	135,188
Materials	14,115	–	43	14,158
Real Estate	16,605	2,253	(39)	18,819
Total investments	**750,943**	**42,201**	**(182,287)**	**610,857**
Net liquid assets*	10,308	22,729	(140)	32,897
Total assets	**761,251**	**64,930**	**(182,427)**	**643,754**
Bank loans	(63,199)	(32,655)	4,752	(91,102)
Shareholders' Funds	**698,052**	**32,275**	**(177,675)**	**552,652**

* See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

Baillie Gifford Statement on Stewardship

Reclaiming Activism for Long-Term Investors

Baillie Gifford's over-arching ethos is that we are 'actual' investors. We have a responsibility to behave as supportive and constructively engaged long-term investors. We invest in companies at different stages in their evolution, across vastly different industries and geographies and we celebrate their uniqueness. Consequently, we are wary of prescriptive policies and rules, believing that these often run counter to thoughtful and beneficial corporate stewardship. Our approach favours a small number of simple principles which help shape our interactions with companies.

Our Stewardship Principles

Prioritisation of long-term value creation

We encourage company management and their boards to be ambitious and focus their investments on long-term value creation. We understand that it is easy for businesses to be influenced by short-sighted demands for profit maximisation but believe these often lead to sub-optimal long-term outcomes. We regard it as our responsibility to steer businesses away from destructive financial engineering towards activities that create genuine economic value over the long run. We are happy that our value will often be in supporting management when others do not.

A constructive and purposeful board

We believe that boards play a key role in supporting corporate success and representing the interests of minority shareholders. There is no fixed formula, but it is our expectation that boards have the resources, cognitive diversity and information they need to fulfil these responsibilities. We believe that a board works best when there is strong independent representation able to assist, advise and constructively test the thinking of management.

Long-term focused remuneration with stretching targets

We look for remuneration policies that are simple, transparent and reward superior strategic and operational endeavour. We believe incentive schemes can be important in driving behaviour, and we encourage policies which create alignment with genuine long-term shareholders. We are accepting of significant pay-outs to executives if these are commensurate with outstanding long-run value creation, but plans should not reward mediocre outcomes. We think that performance hurdles should be skewed towards long-term results and that remuneration plans should be subject to shareholder approval.

Fair treatment of stakeholders

We believe it is in the long-term interests of companies to maintain strong relationships with all stakeholders, treating employees, customers, suppliers, governments and regulators in a fair and transparent manner. We do not believe in one-size-fits-all governance and we recognise that different shareholder structures are appropriate for different businesses. However, regardless of structure, companies must always respect the rights of all equity owners.

Sustainable business practices

We look for companies to act as responsible corporate citizens, working within the spirit and not just the letter of the laws and regulations that govern them. We believe that corporate success will only be sustained if a business's long-run impact on society and the environment is taken into account. Management and boards should therefore understand and regularly review this aspect of their activities, disclosing such information publicly alongside plans for ongoing improvement.

Corporate Governance and Sustainability Engagement

By engaging with companies, we seek to build constructive relationships with them, to better inform our investment activities and, where necessary, effect change within our holdings, ultimately with the goal of achieving better returns for our shareholders. The three examples below demonstrate our stewardship approach through constructive, ongoing engagement.

Sato Holdings

Sato Holdings is a manufacturer of labelling products and supply chain management solutions. We met with CEO Kotaki-san to discuss a range of ESG-related topics. Sato present themselves as a dynamic workplace where every employee is encouraged to experiment and not be afraid of failure. In this context, it was interesting to hear that around 70 per cent. of employees take part in the share purchase scheme. However, we believe some aspects of Sato's employee engagement, such as encouraging employees to quit smoking, detract attention from more material areas such as work life balance and career development. We discussed this with Kotaki-san, as well as broader points around Sato's culture and approach to long-term strategy.

Cybozu

Cybozu is a founder-led software solutions developer which caters mainly to SMEs. Its products are varied but generally support team collaboration and better working practices. Its culture is powerfully differentiated: employees can declare their own working hours; it offers up to six years' worth of parental leave; and staff are permitted to work a second job in the interest of promoting an entrepreneurial attitude amongst all employees. We believe Cybozu's approach to culture is a crucial component of the investment case; however, as can sometimes happen with companies that break from industry norms, their unique culture also manifests in certain governance practices that warrant additional scrutiny.

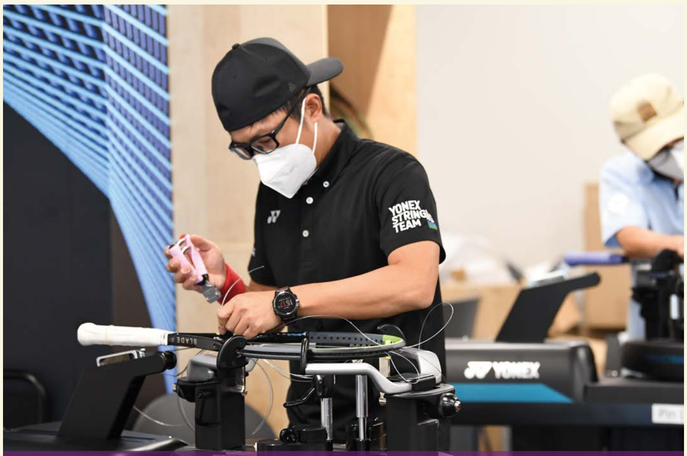
At the most recent annual general meeting they appointed 16 new inside directors, and disclosed that the process of reviewing the applications resulted in the decision to appoint everyone that applied, including an employee who had been with the company for only one year. We contacted the company to present our view, while unique cultures are undoubtedly to be celebrated, this shouldn't be at the expense of certain checks and balances that a board are supposed to supply. We decided to abstain on the vote to elect the CEO, Yoshihisa Nishibata, but voted in favour of the rest of the candidates. We believe this struck the balance of conveying the importance of the concerns we have regarding some functions of the board, whilst supporting the company in challenging mainstream conceptions of how Japanese companies should be run.

Yonex

As part of a review of Japanese holdings for exposure to potential human rights concerns, with a particular focus on companies with supply chains extending into Xinjiang, Yonex was identified as having relatively limited disclosure. While their human rights policy includes a reference to zero tolerance to forced labour, there was no information on monitoring and due diligence processes.

Yonex advised they do not have any exposure to Xinjiang; however, they acknowledged our recommendations regarding actively monitoring beyond a policy and informed us that they are at the start of building out a comprehensive management system. We recognise that smaller companies generally must make complex decisions about where to prioritise internal investment and we understand that the costs of supply chain transparency can be very high. That said, we believe that as a company grows its internal controls must also mature and develop to keep pace.

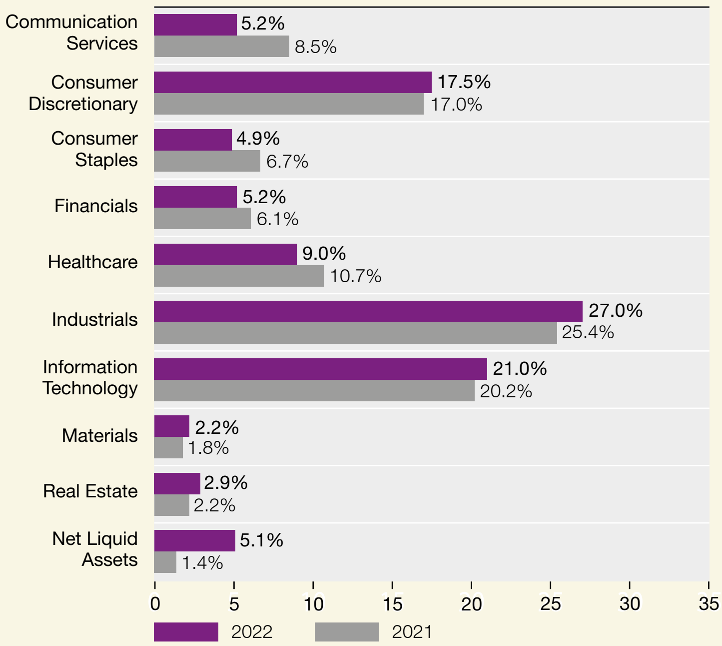
We hold the view that Yonex are slightly behind the curve but are encouraged that they have plans to address this and recognise the vital importance of improving in this area. We intend to continue this engagement and provide any support we can to help management remain ahead of stakeholder expectations.



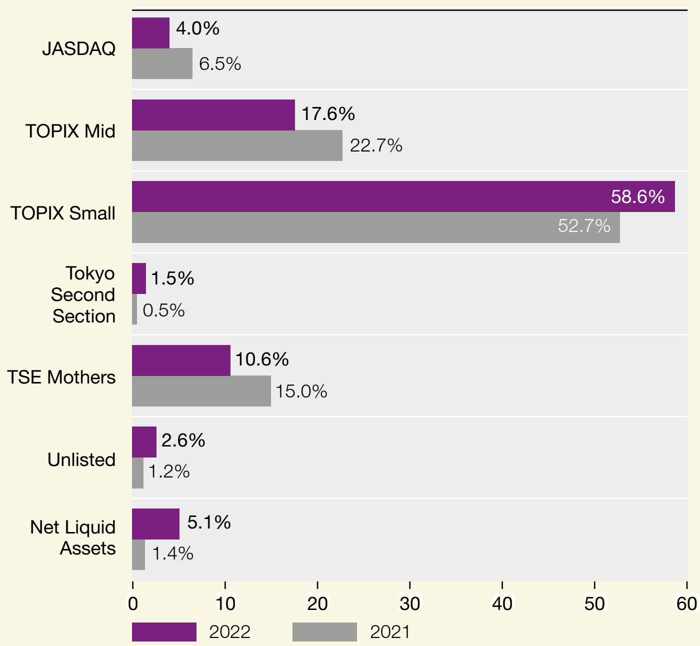
Yonex have plans to address supply chain transparency.

Distribution of Total Assets

Industry

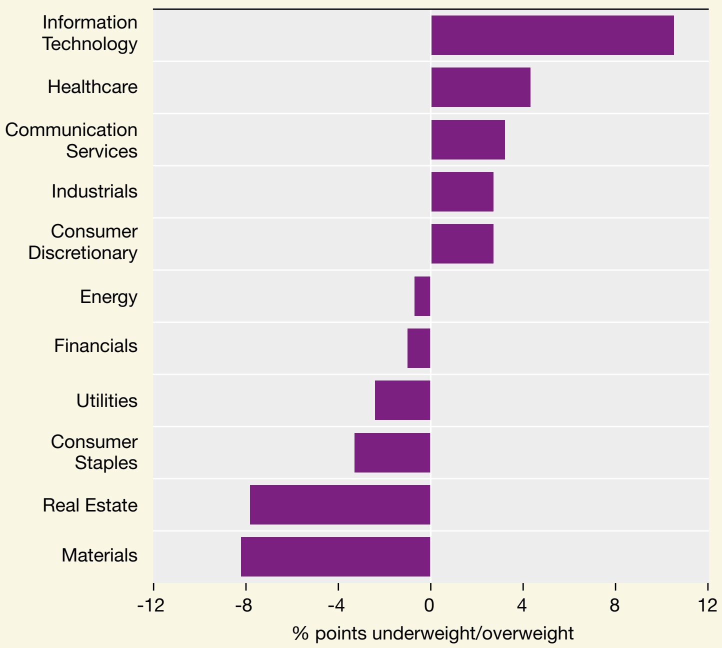


Listings

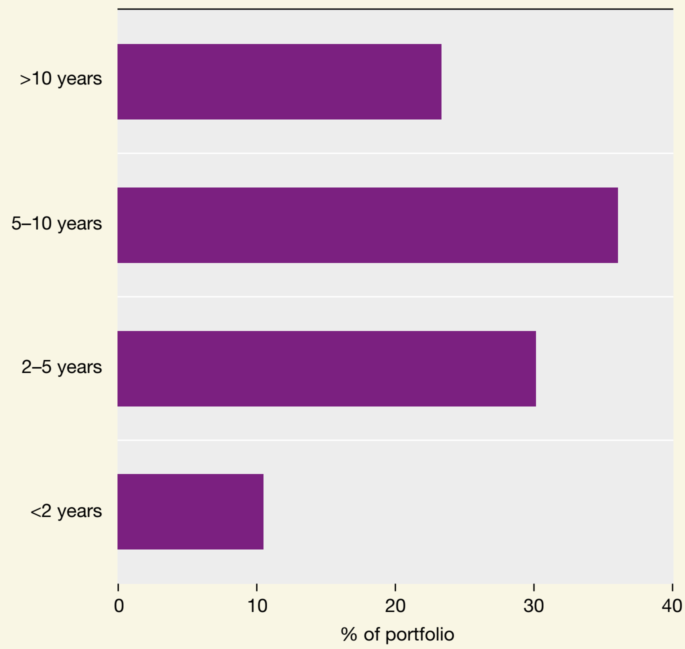


Portfolio Weightings*

Relative to comparative index



Holding Period



* Source: Baillie Gifford/StatPro and relevant underlying index providers. See disclaimer on page 68 and Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

List of Investments at 31 January 2022

Name	Business	2022 Value £'000	% of total assets	Absolute† performance %	2021 Value £'000
Jeol	Manufacturer of scientific equipment	19,044	3.0	34.2	16,725
Katitas	Real estate services	18,818	2.9	3.6	16,605
Descente	Manufactures athletic clothing	17,512	2.7	95.6	8,854
Litalico	Provides employment support and learning support services for people with disabilities	17,425	2.7	45.0	12,131
Snow Peak	Designs and manufactures outdoor lifestyle goods	17,097	2.7	141.7	9,343
Sho-Bond	Infrastructure reconstruction	16,518	2.6	4.4	10,823
Megachips	Electronic components	16,415	2.5	26.5	16,254
Shoei	Manufactures motor cycle helmets	14,971	2.3	(2.9)	17,838
Raksul	Internet based services	14,841	2.3	(18.2)	19,832
Tsugami	Manufacturer of automated machine tools	14,359	2.2	(27.4)	22,608
Technopro Holdings	IT staffing	14,269	2.2	3.4	11,716
Torex Semiconductor	Semiconductor company	14,020	2.2	76.6	7,543
Infomart	Internet platform for restaurant supplies	12,525	1.9	(31.8)	16,169
GMO Payment Gateway	Online payment processing	12,520	1.9	(38.5)	21,644
Tsubaki Nakashima	Industrial machinery	11,275	1.8	11.3	3,714
MatsukiyoCocokara & Co	Retail company	11,067	1.7	(22.0)	12,177
Nifco	Value-added plastic car parts	10,837	1.7	(14.2)	11,554
MonotaRO	Online business supplies	10,499	1.6	(33.8)	16,360
eGuarantee	Guarantees trade receivables	10,002	1.6	(24.6)	14,017
OSG	Manufactures machine tool equipment	9,915	1.5	1.0	10,001
Top 20		**283,929**	**44.0**		
Horiba	Manufacturer of measuring instruments	9,719	1.5	(15.3)	14,708
Harmonic Drive	Robotic components	9,715	1.5	(46.6)	9,961
Noritsu Koki	Holding company with interests in biotech and agricultural products	9,440	1.5	(8.6)	10,284
Nihon M&A Center	M&A advisory services	9,201	1.4	(45.0)	17,639
Cosmos Pharmaceuticals	Drugstore chain	8,942	1.4	(16.3)	12,260
Bengo4.com	Online legal consultation	8,883	1.4	(62.1)	24,830
Cybozu	Develops and markets internet and intranet application software for businesses	8,817	1.4	(49.9)	10,830
Wealthnavi	Digital robo wealth-management	8,795	1.4	(40.5)	8,710
Nabtesco	Robotic components	8,622	1.3	(28.1)	6,752
Iriso Electronics	Specialist auto connectors	8,590	1.3	(8.7)	9,327
Outsourcing	Employment placement services	8,423	1.3	(5.2)	19,359
Healios K.K.	Regenerative medicine	8,410	1.3	(40.2)	8,078
Nakanishi	Dental equipment	8,378	1.3	(4.5)	8,737
KH Neochem	Chemical manufacturer	8,172	1.3	17.8	7,098
Weathernews	Weather information services	7,705	1.2	50.8	2,554
Enechange	IT service management company	7,581	1.2	(24.9)#	–
Spiber[u]	Synthetic spider silk	7,116	1.1	(2.0)#	–
Peptidream	Drug discovery and development platform	6,844	1.1	(68.8)	10,196
Anest Iwata	Manufactures compressors and painting machines	6,658	1.0	(34.6)	8,729
GA Technologies	Interactive media and services	6,282	1.0	(67.8)	16,983
Inter Action Corporation	Semiconductor equipment	6,193	1.0	(25.0)	5,327
Kumiai Chemical	Specialised agrochemicals manufacturer	5,986	0.9	(13.4)	7,017
WDB Holdings	Human resource services	5,953	0.9	(2.8)	6,200
M3	Online medical services	5,733	0.9	(54.3)	20,647
Optex	Infrared detection devices	5,606	0.9	(26.0)	6,612
Seria	Discount retailer	5,533	0.9	(25.4)	7,240
Yonex	Sporting goods	5,497	0.9	12.3	3,673

Name	Business	2022 Value £'000	% of total assets	Absolute † performance %	2021 Value £'000
SIIX	Out-sources overseas production	5,448	0.9	(19.6)	4,970
Poletowin Pitcrew	Game testing and internet monitoring	5,399	0.8	(23.9)	7,187
oRo	Develops and provides enterprise planning software	5,341	0.8	(40.9)	8,482
Toyo Tanso	Electronics company	5,301	0.8	(2.5)#	–
Gojo & Company Inc Class D Preferred[u]	Diversified financial services	5,266	0.8	8.1	4,869
Nippon Ceramic	Electronic component manufacturer	5,246	0.8	(15.1)	5,531
Kitanotatsujin	Online retailer	5,212	0.8	(63.9)	18,429
Gumi	Mobile games developer	4,942	0.8	(41.5)	8,724
Findex	Healthcare software developer	4,742	0.7	(21.1)	6,048
Akatsuki	Mobile games developer	4,732	0.7	(47.1)	9,108
Uzabase	Financial data services	4,716	0.7	(72.8)	13,497
Lifenet Insurance	Online life insurance	4,690	0.7	(57.3)	3,940
Brainpad	Business data analysis	4,604	0.7	(23.6)	7,784
Kitz	Industrial valve manufacturer	4,520	0.7	5.1	4,392
Moneytree K.K. Class B Preferred[u]	AI based fintech platform	4,234	0.7	(13.4)	4,889
Asahi Intecc	Specialist medical equipment	3,984	0.6	(47.2)	7,573
Pigeon	Baby care products	3,742	0.6	(54.6)	4,659
Nikkiso	Industrial pumps and medical equipment	3,730	0.6	(20.6)	4,358
Locondo	E-commerce services provider	3,722	0.6	(44.5)	6,729
Daikyonishikawa	Automobile part manufacturer	3,529	0.5	(26.3)	4,976
Kamakura Shinso	Information processing company	3,455	0.5	(54.9)#	–
Freakout Holdings	Digital marketing technology	3,309	0.5	42.9	1,485
Broadleaf	Online platform for buying car parts	2,930	0.5	(47.9)	7,595
Crowdworks	Crowd sourcing services	2,903	0.5	(48.9)	5,780
Calbee	Branded snack foods	2,891	0.4	(19.6)	3,649
Istyle	Beauty product review website	2,383	0.4	(57.4)	7,395
CyberAgent	Japanese internet advertising and content	2,184	0.3	(24.6)	3,683
Demae-Can	Online meal delivery service	1,942	0.3	(74.6)	23,661
Aeon Delight	Shopping mall maintenance	1,797	0.3	7.8	3,340
Shima Seiki	Machine industry company	1,082	0.2	(5.0)#	–
JP Holdings	Operates child-care facilities	1,002	0.2	(22.4)	4,148
Sato Holdings	Barcode and RFID technology	621	0.1	(12.1)	3,924
Modalis Therapeutics	Healthcare technology	535	0.1	(86.1)	2,311
Total investments		**610,857**	**94.9**		
Net liquid assets*		**32,897**	**5.1**		
Total assets		**643,754**	**100.0**		
Bank loans		**(91,102)**	**(14.2)**		
Shareholders' funds		**552,652**	**85.8**		

† Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 February 2021 to 31 January 2022. Source: Baillie Gifford/StatPro and relevant underlying index data providers. See disclaimer on page 68.

Figures relate to part period returns where the investment has been purchased in the period.

[u] Unlisted holding (private company).

* See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

Past performance is not a guide to future performance.

Portfolio by Investment Theme at 31 January 2022

Global Brands

Name	% of total assets
Descente	2.7
Snow Peak	2.7
Shoei	2.3
Yonex	0.9
Akatsuki	0.7
Pigeon	0.6
Calbee	0.4
Total	**10.3**

Healthcare

Name	% of total assets
MatsukiyoCocokara & Co	1.7
Noritsu Koki	1.5
Cosmos Pharmaceuticals	1.4
Healios K.K.	1.3
Nakanishi	1.3
Peptidream	1.1
WDB Holdings	0.9
Findex	0.7
Asahi Intecc	0.6
Modalis Therapeutics	0.1
Total	**10.6**

Real Estate and Financials

Name	% of total assets
Katitas	2.9
eGuarantee	1.6
Wealthnavi	1.4
GA Technologies	1.0
Gojo & Company Inc Class D Preferred(u)	0.8
Lifenet Insurance	0.7
Uzabase	0.7
Total	**9.1**

Online Disruptors

Name	% of total assets
Litalico	2.7
Raksul	2.3
GMO Payment Gateway	1.9
Infomart	1.9
MonotaRO	1.6
Cybozu	1.4
Bengo4.com	1.4
Enechange	1.2
Weathernews	1.2
M3	0.9
Kitanotatsujin	0.8
Brainpad	0.7
Moneytree K.K. Class B Preferred(u)	0.7
Locondo	0.6
Broadleaf	0.5
Crowdworks	0.5
Freakout Holdings	0.5
Kamakura Shinso	0.5
Istyle	0.4
CyberAgent	0.3
Demae-Can	0.3
Total	**22.3**

Outsourcing/Services

Name	% of total assets
Sho-Bond	2.6
Technopro Holdings	2.2
Nihon M&A Center	1.4
Outsourcing	1.3
Seria	0.9
SIIX	0.9
oRo	0.8
Poletowin Pitcrew	0.8
Aeon Delight	0.3
JP Holdings	0.2
Total	**11.4**

Niche Manufacturers

Name	% of total assets
Jeol	3.0
Megachips	2.5
Tsugami	2.2
Torex Semiconductor	2.2
Tsubaki Nakashima	1.8
Nifco	1.7
Harmonic Drive	1.5
Horiba	1.5
OSG	1.5
Iriso Electronics	1.3
KH Neochem	1.3
Nabtesco	1.3
Spiber(u)	1.1
Anest Iwata	1.0
Inter Action Corporation	1.0
Kumiai Chemical	0.9
Optex	0.9
Gumi	0.8
Nippon Ceramic	0.8
Toyo Tanso	0.8
Kitz Corp	0.7
Nikkiso	0.6
Daikyonishikawa	0.5
Shima Seiki	0.2
Sato Holdings	0.1
Total	**31.2**

Net liquid assets represent 5.1% of total assets. See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

(u) Unlisted holding (private company).

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 # %
2012	64,362	9,557	54,805	35.2	33.5	(4.9)
2013	77,074	7,948	69,126	42.3	44.8	6.0
2014	133,828	19,867	113,961	61.6	65.6	6.5
2015	147,529	18,894	128,635	68.7	64.2	(6.6)
2016	182,817	19,427	163,390	86.2	89.6	3.9
2017	257,448	23,576	233,872	115.5	119.6	3.5
2018	449,289	47,877	401,412	168.7	184.4	9.3
2019	486,101	51,946	434,155	158.5	171.2	8.0
2020	535,801	52,085	483,716	172.8	170.4	(1.4)
2021	761,251	63,199	698,052	231.5	244.0	5.3
2022	**643,754**	**91,102**	**552,652**	**175.8**	**174.4**	**(0.8)**

* 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 fair value. See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

\# (Discount)/premium is the difference between Shin Nippon's quoted share price and its underlying net asset value (after deducting borrowings at fair value) expressed as a percentage of net asset value. See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 68.

Revenue

Year to 31 January	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings/(loss) per ordinary share p	Ongoing charges ‡ %
2012	1,219	98	0.06	1.49
2013	1,165	(22)	(0.01)	1.53
2014	1,259	(239)	(0.14)	1.19
2015	1,554	(374)	(0.20)	1.14
2016	1,798	(290)	(0.16)	1.02
2017	2,912	101	0.05	0.96
2018	3,496	(227)	(0.11)	0.89
2019	5,092	106	0.04	0.77
2020	6,006	790	0.28	0.73
2021	5,587	(141)	(0.05)	0.71
2022	**7,436**	**896**	**0.29**	**0.66**

Gearing Ratios

Year to 31 January	Gearing ¶ %	Potential gearing § %
2012	14	17
2013	10	11
2014	11	17
2015	9	15
2016	9	12
2017	8	10
2018	11	12
2019	11	12
2020	10	11
2021	8	9
2022	**11**	**16**

‡ Calculated as total operating costs divided by average net asset value (with borrowings at fair value). See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

¶ Borrowings at book value less all cash and cash equivalents divided by shareholders' funds. See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

§ Borrowings at book value divided by shareholders' funds. See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

Source: Baillie Gifford.

Cumulative Performance (taking 2012 as 100)

At 31 January	Net asset value per share ^	Share price	Comparative index **
2012	100	100	100
2013	120	134	103
2014	175	196	121
2015	195	192	137
2016	245	268	152
2017	328	357	205
2018	479	551	240
2019	450	512	221
2020	491	509	243
2021	658	729	255
2022	**499**	**521**	**245**
Compound annual returns			
5 year	8.8%	7.8%	3.6%
10 year	17.4%	18.0%	9.4%

^ Net asset value per ordinary share has been calculated after deducting borrowings at fair value. See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

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

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 68.

All per share figures have been restated for the five for one share split on 21 May 2018.

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 in 2015. Mr Donaldson is president of James Donaldson & Sons Limited, an independent Fife based timber merchants, having previously been chairman since 1985. Formerly the chairman of Securities Trust of Scotland, he served on its board from 2005 until 2017 and has more than 20 years' experience of the investment trust sector. He also holds appointments with several charities.

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 Murray Income Trust PLC, Netwealth Investments Limited and BlackRock Throgmorton Trust plc.

Professor Sethu Vijayakumar

Professor Vijayakumar was appointed Director in 2018. He is the Professor of Robotics at the University of Edinburgh and the Director of the Edinburgh Centre for Robotics. He holds additional responsibility as the Programme Director for Artificial Intelligence at The Alan Turing Institute, London, where he helps shape the UK National roadmap in Robotics and Autonomous Systems. He is a world-renowned roboticist, pioneering the data driven control of several iconic robotic platforms including a recent collaboration with the NASA Johnson Space Centre on the Valkyrie humanoid robot being prepared for unmanned robotic pre-deployment missions to Mars. He is a Fellow of the Royal Society of Edinburgh, a judge on BBC Robot Wars and winner of the 2015 Tam Dalyell Prize for Excellence in engaging the public with science. Sethu has strong ties with Japan having spent seven years in Tokyo during his PhD and postdoctoral training, still closely collaborates with several R&D firms and multinationals on translational research projects and is a fluent Japanese speaker. He is also a director of Robots in Motion Limited.

Claire EC Finn

Claire Finn was appointed a Director on 1 November 2021. Claire began her career in Japan in 1995 before moving back to the UK in 1999. She worked for Tokyo Mitsubishi Bank in London from 1999 to 2001. In 2001 she joined Henderson Global Investors undertaking roles in client service and product development. In 2005 Claire joined Merrill Lynch Investment Managers (MLIM) as Vice President of Product Development. MLIM was subsequently bought by BlackRock and Claire moved into the distribution team, rising to the position of Managing Director of Defined Contributions, Unit Linked and Platforms. Claire left BlackRock in 2018 and transitioned to a portfolio career in 2019. She is now a director of The Law Debenture Corporation PLC, Octopus Apollo VCT PLC, Artemis Fund Managers Limited and Sparrows Capital Limited.

Jamie Skinner

Jamie Skinner was appointed a Director in 2018 and is Chairman of the Audit Committee. Jamie is a qualified accountant and a fellow of the Chartered Institute for Securities and Investment. He joined Cazenove & Co in 1989 as a corporate finance executive working principally on investment companies and also other sector IPO activity, and in 1995 he was appointed Managing Director of the Johannesburg office. In 1999 he joined Martin Currie Investment Management Limited as a director and in 2014 was appointed Head of Client Services. He served as President and CEO of The China Fund, Inc. until 2012, President and CEO of The Taiwan Fund, Inc. until 2014 and President of the Martin Currie Business Trust until 2015. He also served on the boards of Martin Currie, Inc. and the Martin Currie Japan Absolute Return Fund up to his retirement from Martin Currie on 31 July 2018. Jamie is a non-executive director of Ediston Property Investment Company plc and the Asian Opportunities Absolute Return Fund Limited and Audit Chair of the Ashoka India Equity Trust plc.

Kevin Troup

Kevin Troup was appointed to the Board in 2020. Kevin qualified as a Chartered Accountant in 1993 with Coopers & Lybrand. He started his Japanese investment career with Scottish Life in 1995 later becoming Head of Japan. In 2000 he joined Martin Currie Investment Management managing Japanese Smaller Companies. In 2004 he launched two Japanese Funds, a Mid-Cap Fund and was co-manager at launch for the Daijiro Absolute Return Fund responsible for picking small cap positions. Kevin joined the Global team at Standard Life Investments in 2010 launching a new Global Equity Income product and with responsibility for Japanese investments within a Global franchise. He retired in 2018 and is now a director at Baring Fund Managers Limited and at TPI Fund Managers Limited. He is also on the Investment Committee at The National Trust for Scotland.

Abigail E Rotheroe

Abigail was appointed to the Board on 1 March 2022. Abigail is a CFA® charterholder whose investment career began at Schroder Capital Management in 1987 as an analyst on the Japanese desk. She worked in Hong Kong for Schroders and then HSBC, managing specialist Asia/Pacific equity portfolios for Japanese clients. On her return to London in 1994, she joined Threadneedle Investments with responsibility for the Threadneedle Asia Growth Fund, Threadneedle Asia and Pacific inc. Japan Growth Fund and the TIML India Fund. Since 2013 Abigail has been at the forefront of social and impact investing and has published broadly on the subject. She is the Investment Director of Snowball Impact Management, an asset manager that invests responsibly to achieve impact alongside financial returns.

The Directors listed above were in office during the year to 31 January 2022 (with the exception of Abigail Rotheroe who was appointed a Director on 1 March 2022) and remained in office as at 15 March 2022.

All Directors are members of the Nomination and Audit Committees with the exception of Mr Donaldson who is not a member of the Audit Committee.

Managers and Secretaries

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager 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 twelve 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 £252 billion at 11 March 2022. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 47 partners and a staff of around 1,630.

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 in 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 2022.

Corporate Governance

The Corporate Governance Report is set out on pages 32 to 35 and forms part of this Report.

Managers 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. Dealing activity and transaction reporting have been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited.

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. The annual management fee for the year to 31 January 2022 was 0.75% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remainder. The fees are calculated and paid on a quarterly basis.

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 2021, 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 charges ratio is in the best interest of shareholders. The Board continues to give careful consideration to the basis of the management fee.

Depositary

In accordance with the AIFM Regulations, the AIFM must appoint a Depositary to the Company. The Bank of New York Mellon (International) Limited has been appointed as the Company's Depositary.

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

Directors

Information about the Directors, including their relevant experience, can be found on pages 26 and 27.

Ms CEC Finn was appointed to the Board on 1 November 2021. Ms AE Rotheroe was appointed to the Board on 1 March 2022. The appointments of both Ms CEC Finn and Ms AE Rotheroe as Directors fall to be ratified by shareholders at the Annual General Meeting.

Trust Associates, an external search consultancy, was used in the appointment of both non-executive Directors. Trust Associates has no other connection with the Company or the Directors.

In accordance with the principles of the UK Corporate Governance Code, all Directors will retire at the Annual General Meeting and offer themselves for re-election.

Following formal external performance evaluation the Board considers that the performance of the Directors continues to be effective and each remains committed to the Company. The Board, therefore, 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 2022 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 314,252,485 ordinary shares of 2 pence each at 31 January 2022 (2021 – 301,292,485 ordinary shares of 2 pence each). 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 63.

Major Interests in the Company's Shares

The Company has not received any notification of major interests of 3.0% or more (for directly held interests) in the voting rights of the Company as at 31 January 2022. The Company has received notification of the following interests of 5.0% or more (for indirectly held interests) in the voting rights of the Company as at 31 January 2022.

Name	No of ordinary 10p shares held at 31 January 2022	% of issue
Rathbone Investment Management Ltd	15,715,107	5.0

There have been no notifications of major interests in the Company's shares intimated up to 11 March 2022.

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 £2,044,745.40 and to issue shares or sell shares held in treasury for cash on a non pre-emptive basis for cash up to an aggregate nominal amount of £613,484.96 representing 10% of the issued share capital of the Company as at 11 March 2021. Such authorities will expire at the conclusion of the Annual General Meeting to be held on 12 May 2022.

Resolution 11 in the Notice of Annual General Meeting seeks a general authority for the Directors to issue ordinary shares up to an aggregate nominal amount of £2,094,807.06. This amount represents 33.33% of the Company's total ordinary share capital in issue at 11 March 2022 and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 11 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 12, 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 £628,504.96 (representing 10% of the issued ordinary share capital of the Company as at 11 March 2022). The authorities sought in Resolutions 11 and 12 will continue until the conclusion of the Annual General Meeting to be held in 2023 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 2022 the Company issued 12,960,000 shares on a non pre-emptive basis at a premium to net asset value on 37 separate occasions at an average price of 242.0 pence per share raising net proceeds of £31,380,000. Between 1 February and 11 March 2022 the Company issued no further shares.

No shares were held in treasury as at 11 March 2022.

Market Purchases of Own Shares by the Company

At the last Annual General Meeting, the Company was granted authority to purchase up to 45,980,698 ordinary shares (equivalent to 14.99% of its issued share capital). This authority expires at the forthcoming Annual General Meeting. The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases of ordinary shares up to an amount 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 2023.

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; and

(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% above the average closing price on the London Stock Exchange of an ordinary share over the 5 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 the nominal value of an ordinary 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 13 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 18 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 Auditor

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

Independent Auditor

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

Post Balance Sheet Events

The Directors confirm that there have been no significant post Balance Sheet events which require adjustment of, or disclosure in, the Financial Statements or notes thereto up to 15 March 2022.

Greenhouse Gas Emissions and Streamlined Energy and Carbon Report ('SECR')

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. For the same reasons as set out above, the Company considers itself to be a low energy user under the SECR regulations and therefore is not required to disclose energy and carbon information.

Bribery Act

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

Criminal Finances Act 2017

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

Recommendation

The Directors consider each Resolution being proposed at the Annual General Meeting to be in the best interests of the Company and its shareholders as a whole and they unanimously recommend that all shareholders vote in favour of them, as they intend to do where possible in respect of their own beneficial holdings of shares which amount in aggregate to 170,285 shares, representing approximately 0.05% of the current issued share capital of the Company.

On behalf of the Board
M Neil Donaldson
Chairman
15 March 2022

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2018 UK Corporate Governance Code, (the 'Code') which can be found at 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 theaic.co.uk.

Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code. The Code includes provisions relating to the role of the chief executive, executive directors' remuneration and the need for an internal audit function. Given that the Company is an externally-managed investment trust, the Board considers these provisions are not relevant to the Company (the need for an internal audit function specific to the Company has been addressed on page 36). Details of the Board's view on Directors who have served on the Board for more than nine years can be found within the Independence of Directors section of this Report.

The FRC has confirmed that AIC member companies who report against the AIC Code will be meeting their obligations in relation to the UK Code (the AIC Code can be found at theaic.co.uk).

The Board

Following the appointment of Ms CEC Finn on 1 November 2021 and Ms AE Rotheroe on 1 March 2022, the Board comprises seven 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. Mrs MR Somerset Webb is the Senior Independent Director. Following the retirement of Mrs MR Somerset Webb at the conclusion of the Annual General Meeting, Professor S Vijayakumar will be the Senior Independent Director.

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 pages 26 and 27.

The Directors recognise the importance of board succession planning. The composition of the Board and the succession plan are reviewed annually to ensure there is an appropriate balance of skills, experience, length of service and diversity.

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 seek election by shareholders at the next Annual General Meeting.

Independence of Directors

In accordance with the principles of the UK Corporate Governance Code, all Directors will offer themselves for re-election annually.

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 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. Mrs MR Somerset Webb has served on the Board for more than nine years and will be retiring from the Board at the conclusion of the Annual General Meeting.

The Board is not controlled by long serving Directors.

Policy on Tenure of the Chairman

The Board recognises the importance of an independent and effective chairman. In the absence of exceptional circumstances, the Chairman will retire at the Annual General Meeting following the ninth anniversary of his appointment.

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	**4**	**2**	**1**
MN Donaldson*	4	–	1
CEC Finn†	1	–	1
MR Somerset Webb	4	2	1
S Vijayakumar	4	2	1
J Skinner	4	2	1
KJ Troup	4	2	1

* MN Donaldson is not a member of the Audit Committee but was in attendance at both meetings held.

† CEC Finn was appointed to the Board on 1 November 2021. AE Rotheroe was appointed to the Board on 1 March 2022.

The table above shows the attendance record for the core Board and Committee meetings held during the year. The Annual General Meeting was attended by all the Directors serving at that date.

Nomination Committee

The Nomination Committee consists of the whole Board due to the small size of the Board. 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.

Diversity Policy

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

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

Board Composition

As reported last year, the Nomination Committee commissioned a search to find two new independent non-executive Directors in advance of the retirement of Mrs MR Somerset Webb using the services of Trust Associates Limited, an executive search firm which has no other connection with the Company or its Directors. Ms CEC Finn was appointed to the Board on 1 November 2021 and Ms AE Rotheroe was appointed to the Board on 1 March 2022. The Committee reviewed the composition of the Board during the year in consideration of succession planning and developing a diverse pipeline. Mrs MR Somerset Webb will stand down from the Board at the AGM in May 2022.

Performance Evaluation

During the year the Board appointed Fletcher Jones, a firm which assists companies with the design and execution of board evaluations, to facilitate the performance evaluation of the Chairman, each Director, the Board as a whole and its Committees. Fletcher Jones has no other connection with the Company or the Directors. Fletcher Jones provided confidential surveys which were tailored to the specific needs of the Company. The surveys addressed, amongst other issues:

- the competence and performance of the Board;
- overall strategic and corporate issues;
- shareholder value;
- governance;
- process and style of meetings;
- contribution made to Board Committees; and
- appraisal of the Chairman and the Chairmen of Board Committees.

Each Director (with the exception of Ms CEC Finn and Ms AE Rotheroe, who were appointed following the evaluation process) and the Chairman completed the surveys and were interviewed by Fletcher Jones at follow up video meetings. Fletcher Jones also held meetings with representatives from Baillie Gifford and the Company's Corporate Broker, Winterflood Securities. Fletcher Jones reviewed the output from the evaluation process and judged the Company's Board, Committees and Directors to be operating effectively. The results of the evaluation were considered by the Nomination Committee.

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 and the Chairman remains committed to the Company.

A review of the Chairman's and other Directors' commitments was carried out on 23 November 2021 and the Nomination Committee is satisfied that they are capable of devoting sufficient time to the Company.

The Board intend that an independent external agency will be engaged to carry out the evaluation in 2024.

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 38 and 39.

Management Engagement Committee

The Directors have considered that a separate Management Engagement Committee is not required given the small size of the Board.

Audit Committee

The report of the Audit Committee is set out on pages 36 and 37.

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the FRC guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued in September 2014.

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 Regulations (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 Regulations, The Bank of New York Mellon (International) Limited acted 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 Company's Depositary also acts as the Company's Custodian. The Custodian prepares reports on its key controls and safeguards which is independently reviewed by its Auditor, KPMG LLP. The reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated.

The Depositary provides the Audit Committee with half-yearly reports 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 68), 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, including its Covid-19 guidance, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern, and specifically in the context of the Covid-19 pandemic.

The Company's principal and emerging risks include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 18 to the Financial Statements. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 pandemic and reviewed the results of specific leverage and liquidity stress testing, but does not believe the Company's going concern status is affected.

The Company's assets, which are primarily investments in quoted securities and are readily realisable (Level 1) exceed its liabilities significantly and could be sold to repay borrowings if required. 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. During the year a new ¥5,000 million three year fixed rate secured loan at an interest rate of 1.40% was drawn down from ING Bank N.V. The Company's loans are not repayable until at least November 2023 as shown in note 11 on page 55. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditor and Broker, have not experienced significant operational difficulties affecting their respective services to the Company, as a result of the Covid-19 pandemic.

Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters, including the impact of the Covid-19 pandemic, as set out in the Viability Statement on page 9, that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

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, and these have continued 'virtually' since the Covid-19 pandemic. 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, emailing the Managers at trustenquiries@bailliegifford.com or through the Company's broker, Winterflood Securities Ltd (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 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 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' Stewardship Principles and examples of portfolio company engagement are set out on pages 19 and 20 and the statement of compliance with the UK Stewardship Code can be found on the Managers' website at bailliegifford.com. The Managers' policy has been reviewed and endorsed by the Board. Baillie Gifford & Co has considered the Sustainable Finance Disclosure Regulation (SFDR) and further details can be found on page 67.

Climate Change

The Board recognises that climate change poses a serious threat to our environment, our society and to economies and companies around the globe. Addressing the underlying causes is likely to result in companies that are high emitters of carbon facing greater societal and regulatory scrutiny and higher costs to account for the true environmental impact of their activities. The Managers' pursuit of long term growth opportunities typically involves investment in entrepreneurial, disruptive and technology-driven businesses. These companies are often capital-light with a low carbon footprint. The Managers' Report provides some examples of new investments that address ESG themes, including climate change.

The Manager has engaged an external provider to map the carbon footprint of the portfolio, using the information to prioritise engagement and understand what higher emitting companies are doing to manage climate risk better. This analysis estimates that the carbon intensity of the Shin Nippon portfolio is 84.1% lower than the index (MSCI Japan Small Cap Index). Carbon intensity measures the carbon efficiency of the portfolio per unit of output and assesses the portfolio's exposure to carbon-intensive companies.

Baillie Gifford's Task Force on Climate-Related Financial Disclosures ('TCFD') Climate Report is available on the Managers' website at bailliegifford.com. Baillie Gifford will provide a TCFD climate report for Shin Nippon which is expected to be available during 2023.

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

On behalf of the Board
M Neil Donaldson
Chairman
15 March 2022

Audit Committee Report

The Audit Committee consists of all Directors with the exception of the Chairman, Mr MN Donaldson. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Mr J Skinner, 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 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 Auditor without any representative of the Managers being present.

Main Activities of the Committee

The Committee met twice during the year and the external Auditor attended both meetings. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes for these meetings.

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

— the results announcement and the Annual and Interim Reports;

— the Company's accounting policies and practices and the implementation of the Managers' valuation policy for investments in unlisted (private) companies;

— 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;

— re-appointment, remuneration and engagement letter of the external Auditor;

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

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

— the independence and objectivity of the external Auditor and the effectiveness of the 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 quoted investments, as they represent 92.3% of total assets.

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

The value of all listed investments as at 31 January 2022 was agreed to external price sources and the portfolio holdings agreed to confirmations from the Company's Custodian.

The Managers 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.

FRC Review

The Financial Reporting Council ('FRC') reviewed the Company's Annual Report and Financial Statements for the year to 31 January 2021. There were no areas identified for improvement based on the review. The FRC notes that its review does not provide assurance that the Annual Report and Financial Statements are correct in all material respects and that its role is not to verify the information provided but to consider compliance with reporting requirements.

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 33 and 34. No significant weaknesses were identified in the year under review.

External Auditor

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

— the audit plan for the current year;

— a report from the Auditor describing their arrangements to manage auditor independence and received confirmation of their independence; and

— the proposed audit fee and extent of non-audit services provided by the external Auditor. For the year to 31 January 2022 the proposed audit fee was £35,000 and there were no non-audit fees for the year to 31 January 2022 (2021 – nil).

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

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

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

— the Audit Quality Inspection Report from the FRC.

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

— the Auditor's engagement letter;

— the Auditor's proposed audit plan;

— the audit fee; and

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

The audit partner responsible for the audit will be rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. Mr Waterson, the current partner was approved in 2017 and, will be replaced as audit partner at the conclusion of the 2022 audit.

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

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

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

Audit Tender

Following the audit tender process conducted during the year to 31 January 2017, the Board unanimously decided to appoint KPMG LLP as Auditor with effect from the audit of the Financial Statements for the year to 31 January 2018.

In recognition of underlying audit rotation requirements, the Committee intends to undertake a further tender process during the year to 31 January 2027.

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 40 to 45.

On behalf of the Board
Jamie Skinner
Audit Committee Chairman
15 March 2022

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 2020 and no changes are proposed to the policy at the forthcoming Annual General Meeting on 12 May 2022.

The Board reviewed the level of fees during the year and it was agreed that there would be no change to Directors' fees. The Directors' fees were last increased on 1 February 2020.

Directors' Remuneration Policy

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

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

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

Limit on Directors' Remuneration

The fees for the non-executive Directors are payable monthly in arrears and are determined within the limit set out in the Company's Articles of Association which is currently £200,000 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 2022 and the expected fees payable in respect of the year ending 31 January 2023 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 2023 £	**Fees as at 31 Jan 2022 £**
Chairman's fee	37,500	37,500
Non-executive Director fee	25,000	25,000
Additional fee for Chairman of the Audit Committee	3,500	3,500
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association (see 'Limit on Directors' Remuneration' above)	200,000	200,000

Annual Report on Remuneration

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

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in KPMG LLP's report on page 41.

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	**2022 Fees £**	**2022 Taxable benefits* £**	**2022 Total £**	**2021 Fees £**	**2021 Taxable benefits* £**	**2021 Total £**
MN Donaldson (Chairman)	37,500	–	37,500	37,500	–	37,500
MR Somerset Webb	25,000	–	25,000	25,000	–	25,000
SCN Somerville (retired 14 May 2020)	–	–	–	7,211	–	7,211
S Vijayakumar	25,000	–	25,000	25,000	–	25,000
J Skinner	28,500	–	28,500	28,500	25	28,525
KJ Troup (appointed 1 March 2020)	25,000	–	25,000	22,917	–	22,917
CEC Finn (appointed 1 November 2021)	6,250	–	6,250	–	–	–
	147,250	**–**	**147,250**	**146,128**	**25**	**146,153**

* 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.

Annual Percentage Change in Remuneration

This represents the annual percentage change in the total remuneration paid to the Directors.

Name	% change from 2021 to 2022	% change from 2020 to 2021
MN Donaldson (Chairman)	–	8.7
MR Somerset Webb	–	6.1
SCN Somerville (retired 14 May 2020)	n/a	(71.2)*
S Vijayakumar	–	8.7
J Skinner	(0.1)	14.5
KJ Troup (appointed 1 March 2020)	9.1*	100.0*
CEC Finn (appointed 1 November 2021)	100.0*	n/a

* These percentage movements reflect the Directors' retirement/appointments in the period.

Directors' Interests (audited)

Name	Nature of interest	Ordinary 2p shares held at 31 Jan 2022	Ordinary 2p shares held at 31 Jan 2021
MN Donaldson	Beneficial	100,000	100,000
MR Somerset Webb	Beneficial	17,785	17,785
S Vijayakumar	–	–	–
J Skinner	Beneficial	17,500	17,500
KJ Troup	Beneficial	25,000	20,000
CEC Finn	–	–	–

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. The appointment of Ms AE Rotheroe to the Board came into effect on 1 March 2022. Ms AE Rotheroe holds 10,000 ordinary 2p shares. There have been no other changes in the Directors' interests up to 11 March 2022.

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 2020), 99.4% were in favour, 0.4% 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 (2021 – none).

Directors' Service Details

Name	Date of appointment	Due date for election/re-election
MN Donaldson	1 August 2014	AGM in 2022
MR Somerset Webb*	4 October 2011	–
S Vijayakumar	1 September 2018	AGM in 2022
J Skinner	7 December 2018	AGM in 2022
KJ Troup	1 March 2020	AGM in 2022
CEC Finn	1 November 2021	AGM in 2022
AE Rotheroe	1 March 2022	AGM in 2022

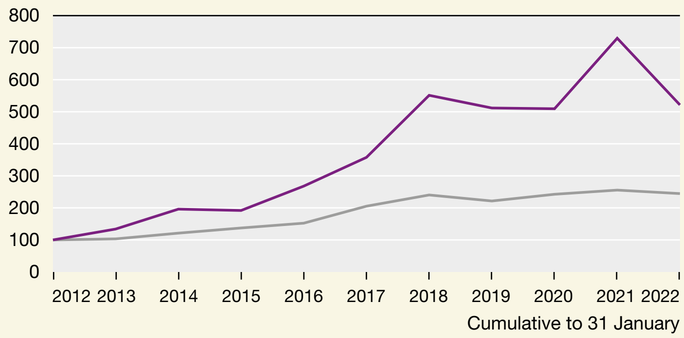
* MR Somerset Webb will retire from the Board at the AGM on 12 May 2022.

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 2012)



Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 68.

Baillie Gifford Shin Nippon's share price*

Comparative Index†

* Total return (assuming net dividends are reinvested). See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

† The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms). See disclaimer on page 68.

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 38 and 39 was approved by the Board of Directors and signed on its behalf on 15 March 2022.

M Neil Donaldson
Chairman

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

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

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

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

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

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

Under applicable 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 operational responsibilty to the Managers for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

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

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report/Directors' Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that the issuer and business face.

We consider the Annual Report and Accounts, 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.

On behalf of the Board
M Neil Donaldson
Chairman
15 March 2022

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 & Co website is the responsibility of Baillie Gifford & Co; the work carried out by the auditor does not involve consideration of these matters and accordingly, the auditor accepts 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 Auditor's Report

KPMG

Independent auditor's report

to the members of Baillie Gifford Shin Nippon Plc.

1. Our opinion is unmodified

We have audited the financial statements of Baillie Gifford Shin Nippon Plc. ("the Company") for the year ended 31 January 2022 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

— give a true and fair view of the state of the Company's affairs as at 31 January 2022 and of its return for the year then ended;

— have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and

— have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We were first appointed as auditor by the shareholders on 18 May 2017. The period of total uninterrupted engagement is for the five financial years ended 31 January 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Financial statements as a whole	£6.46m (2021:£7.6m) 1% (2021: 1%) of Total Assets	
Key audit matters		**vs 2021**
Recurring risks	Carrying amount of quoted investments	◄►

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matter, (unchanged from 2021), in arriving at our audit opinion above, together with our key audit procedures to address this matter and, as required for public interest entities, our results from those procedures. This matter was addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on this matter.

	The risk	Our response
Carrying amount of quoted investments (£594.2 million; (2021: £741.2 million) *Refer to page 36 Audit Committee Report), page 50 (accounting policy) and note 8 on page 53 (financial disclosures).*	**Low risk, high value:** The Company's portfolio of quoted investments makes up 91.9% (2021: 97.1%) of the Company's total assets (by value) and is one of the key drivers of results. We do not consider these investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	We performed the detailed tests below rather than seeking to rely on any of the Company's controls, because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described below. Our procedures included: — **Test of detail:** Agreeing the valuation of 100% of investments in the portfolio to externally quoted prices; and — **Enquiry of custodians:** Agreeing 100% of investment holdings in the portfolio to independently received third party confirmations from investment custodians. **Our results** — We found the carrying amount of quoted investments to be acceptable (2021: acceptable).

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

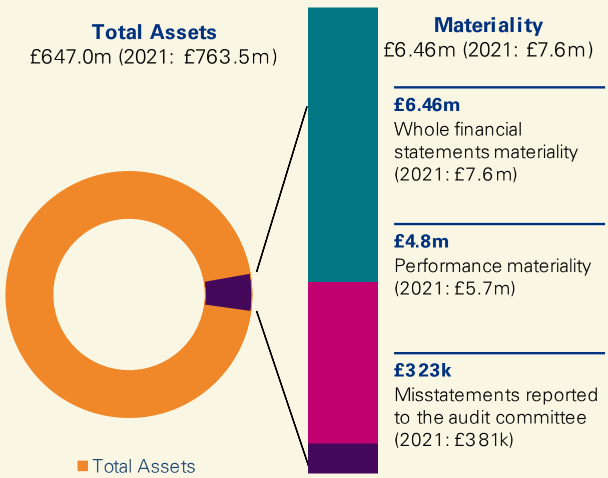
Materiality for the financial statements as a whole was set at £6.46m (2021: £7.6m), determined with reference to a benchmark of total assets, of which it represents 1% (2021: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2021: 75%) of materiality for the financial statements as a whole, which equates to £4.8m (2021: £5.7m). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £323k (2021: £381k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

The scope of the audit work performed was fully substantive as we did not rely upon the Company's internal control over financial reporting.



KPMG

4. Going concern

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

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources and its ability to operate over this period were:

— the impact of a significant reduction in the valuation of investments and the implications for the Company's debt covenants;
— the liquidity of the investment portfolio and its ability to meet the liabilities of the Company as and when they fall due; and
— the operational resilience of key service organisations.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Company's liquid investment position (and the results of their stress testing).

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern.

Our conclusions based on this work:

— We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
— We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period;
— We have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
— The related statement under the Listing Rules set out on page 34 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

— enquiring of Directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
— assessing the segregation of duties in place between the Directors, the Administrator and the Company's Investment Manager; and
— reading Board and Audit Committee minutes.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular to the risk that management may be in a position to make inappropriate accounting entries. We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We substantively tested all material post-closing entries and, based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is non-judgemental and straightforward, with limited opportunity for manipulation. We did not identify any significant unusual transactions or additional fraud risks.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors, the Investment Manager and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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

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

KPMG

5. Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: money laundering, data protection, bribery and corruption legislation and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

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

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

Strategic report and Directors' report

Based solely on our work on the other information:

— we have not identified material misstatements in the strategic report and the Directors' report;

— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

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

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

— the Directors' confirmation within the Viability Statement on page 9 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;

— the Principal and Emerging Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and

— the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on page 9 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

KPMG

6. We have nothing to report on the other information in the Annual Report (continued)

Disclosures of emerging and principal risks and longer-term viability (continued)

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

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

— the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;

— the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and

— the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

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

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

— adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

— the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

— certain disclosures of Directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 40, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at:

www.frc.org.uk/auditorsresponsibilities.

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

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

John Waterson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

15 March 2022

Income Statement

For the year ended 31 January

	Notes	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
(Losses)/gains on investments	8	–	(182,288)	**(182,288)**	–	158,024	**158,024**
Currency gains	13	–	4,612	**4,612**	–	1,077	**1,077**
Income	2	7,436	–	**7,436**	5,587	–	**5,587**
Investment management fee	3	(4,048)	–	**(4,048)**	(3,514)	–	**(3,514)**
Other administrative expenses	4	(684)	–	**(684)**	(557)	–	**(557)**
Net return before finance costs and taxation		2,704	(177,676)	**(174,972)**	1,516	159,101	**160,617**
Finance costs of borrowings	5	(1,064)	–	**(1,064)**	(1,098)	–	**(1,098)**
Net return on ordinary activities before taxation		1,640	(177,676)	**(176,036)**	418	159,101	**159,519**
Tax on ordinary activities	6	(744)	–	**(744)**	(559)	–	**(559)**
Net return on ordinary activities after taxation		**896**	**(177,676)**	**(176,780)**	**(141)**	**159,101**	**158,960**
Net return per ordinary share	7	**0.29p**	**(56.95p)**	**(56.66p)**	**(0.05p)**	**55.96p**	**55.91p**

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 50 to 61 are an integral part of the Financial Statements.

Balance Sheet

As at 31 January

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed assets					
Investments held at fair value through profit or loss	8		610,857		750,943
Current assets					
Debtors	9	2,604		2,158	
Cash and cash equivalents	18	33,505		10,438	
		36,109		12,596	
Creditors					
Amounts falling due within one year	10	(3,212)		(2,288)	
Net current assets			32,897		10,308
Total assets less current liabilities			643,754		761,251
Creditors					
Amounts falling due after more than one year	11		(91,102)		(63,199)
Net assets			**552,652**		**698,052**
Capital and reserves					
Share capital	12		6,285		6,026
Share premium account	13		260,270		229,149
Capital redemption reserve	13		21,521		21,521
Capital reserve	13		268,408		446,084
Revenue reserve	13		(3,832)		(4,728)
Shareholders' funds			**552,652**		**698,052**
Net asset value per ordinary share	14		**175.9p**		**231.7p**

The Financial Statements of Baillie Gifford Shin Nippon PLC (Company Registration Number SC093345) on pages 46 to 61 were approved and authorised for issue by the Board and were signed on its behalf on 15 March 2022.

M Neil Donaldson
Chairman

The accompanying notes on pages 50 to 61 are an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 31 January 2022

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 February 2021		6,026	229,149	21,521	446,084	(4,728)	**698,052**
Ordinary shares issued	13	259	31,121	–	–	–	**31,380**
Net return on ordinary activities after taxation	13	–	–	–	(177,676)	896	**(176,780)**
Shareholders' funds at 31 January 2022		**6,285**	**260,270**	**21,521**	**268,408**	**(3,832)**	**552,652**

For the year ended 31 January 2021

	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 2020	5,591	174,208	21,521	286,983	(4,587)	**483,716**
Ordinary shares issued	435	54,941	–	–	–	**55,376**
Net return on ordinary activities after taxation	–	–	–	159,101	(141)	**158,960**
Shareholders' funds at 31 January 2021	**6,026**	**229,149**	**21,521**	**446,084**	**(4,728)**	**698,052**

The accompanying notes on pages 50 to 61 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 January

	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Cash flows from operating activities				
Net return on ordinary activities before taxation	(176,036)		159,519	
Net losses/(gains) on investments	182,288		(158,024)	
Currency gains	(4,612)		(1,077)	
Finance costs of borrowings	1,064		1,098	
Overseas withholding tax	(677)		(572)	
(Increase)/decrease in debtors, accrued income and prepaid expenses	(591)		22	
(Decrease)/increase in creditors	(220)		352	
Cash inflow from operations		1,216		1,318
Interest paid		(982)		(1,142)
Net cash inflow from operating activities		234		176
Cash flows from investing activities				
Acquisitions of investments	(132,308)		(170,441)	
Disposals of investments	90,619		107,971	
Net cash outflow from investing activities		(41,689)		(62,470)
Shares issued	31,995		54,762	
Bank loans repaid	–		(38,489)	
Bank loans drawn down	32,667		50,359	
Net cash inflow from financing activities		64,662		66,632
Increase in cash and cash equivalents		23,207		4,338
Exchange movements		(140)		364
Cash and cash equivalents at 1 February		10,438		5,736
Cash and cash equivalents at 31 January*		**33,505**		**10,438**

* Cash and cash equivalents represent cash at bank and deposits repayable on demand.

The accompanying notes on pages 50 to 61 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 2022 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

(a) Basis of Accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments and 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 Board has, in particular, considered the impact of heightened market volatility since the Covid-19 pandemic and reviewed the results of specific leverage and liquidity stress testing, but does not believe the Company's going concern status is affected. The Company's assets, which are primarily investments in quoted securities and are readily realisable (Level 1) exceed its liabilities significantly and could be sold to repay borrowings if required.

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. During the year a new ¥5,000 million three year fixed rate secured loan at an interest rate of 1.40% was drawn down from ING Bank N.V. The Company's loans are not repayable until at least November 2023 as shown in note 11 on page 55.

The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditor and Broker, have not experienced significant operational difficulties affecting their respective services to the Company as a result of the Covid-19 pandemic.

Accordingly, the Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal and emerging risks and other matters, including the impact of the Covid-19 pandemic, as set out in the Viability Statement on page 9, that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

The Financial Statements have been prepared in accordance with the Companies Act 2006, applicable United Kingdom 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 and updated in April 2021 with consequential amendments.

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 is 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) Taxation

Current tax is provided at the amounts expected to be paid or recovered. 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. The capital reserve, to the extent it constitutes realised profits, is distributable.

(j) Significant Accounting Estimates and Judgements

The preparation of the Financial Statements requires the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets and liabilities, at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates. The key sources of estimation and uncertainty relate to the assumptions used in the determination of the fair value of the unlisted investments, which are detailed in note 8 on pages 53 and 54.

Judgements

The Directors consider that the preparation of the Financial Statements involves the following key judgements: (i) the determination of the functional currency of the Company as sterling (see rationale in 1(a) above); and (ii) the fair valuation of the unlisted investments. The key judgements in the fair valuation process are: (i) the Managers' determination of the appropriate application of the International Private Equity and Venture Capital Guidelines 2018 ('IPEV') to each unlisted investment; and (ii) the Directors' consideration of whether each fair value is appropriate following detailed review and challenge. The judgement applied in the selection of the methodology used for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unlisted investments by the Managers for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the Balance Sheet date. The fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The main estimates involved in the selection of the valuation process inputs are:

(i) the selection of appropriate comparable companies in order to derive revenue multiples and meaningful relationships between enterprise value, revenue and earnings growth. Comparable companies are chosen on the basis of their business characteristics and growth patterns;

(ii) the selection of a revenue metric (either historic or forecast);

(iii) the application of an appropriate discount factor to reflect the reduced liquidity of unlisted companies versus their listed peers;

(iv) the estimation of the probability assigned to an exit being through an initial public offering ('IPO') or a company sale;

(v) the selection of an appropriate industry benchmark index to assist with the valuation validation or the application of valuation adjustments, particularly in the absence of established earnings or closely comparable peers; and

(vi) the calculation of valuation adjustments derived from milestone analysis (i.e. incorporating operational success against the plan/forecasts of the business into the valuation).

2 Income

	2022 £'000	2021 £'000
Income from investments		
Listed overseas dividends	7,436	5,587
Total income	**7,436**	**5,587**
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	7,436	5,587
Total income	**7,436**	**5,587**

3 Investment Management Fee – all charged to revenue

	2022 £'000	2021 £'000
Investment management fee	**4,048**	**3,514**

Details of the Investment Management Agreement are set out on page 28. Baillie Gifford & Co Limited's annual management fee is 0.75% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remainder.

4 Other Administrative Expenses

	2022 £'000	2021 £'000
General administrative expenses	502	380
Directors' fees (see Directors' Remuneration Report on page 38)	147	146
Auditor's remuneration (statutory audit of the Company's Financial Statements)	35	31
	684	**557**

5 Finance Costs of Borrowings

	2022 £'000	2021 £'000
Interest on bank loans	**1,064**	**1,098**

The bank loan interest disclosed includes £48,000 paid (2021 – £57,000) in respect of yen deposits held at the custodian bank.

6 Tax on Ordinary Activities

	2022 £'000	2021 £'000
Analysis of charge in year		
Overseas taxation (charged to revenue)	**744**	**559**
Factors affecting tax charge for year		
The tax assessed for the year is higher (2021 – lower) than the standard rate of corporation tax in the UK of 19% (2021 – 19%)		
The differences are explained below:		
Net (loss)/return on ordinary activities before taxation	(176,036)	159,519
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021 – 19%)	(33,447)	30,309
Effects of:		
Capital returns not taxable	33,759	(30,229)
Income not taxable	(1,413)	(1,062)
Overseas withholding tax	744	559
Taxable losses in year not utilised	1,101	982
Total tax charge for the year	**744**	**559**

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

At 31 January 2022 the Company had a potential deferred tax asset of £9,811,000 (2021 – £6,355,000) on tax 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 generate taxable profits in the future and it is not liable to tax on its capital gains. The unrecognised deferred tax asset has been calculated using a corporation tax rate of 25% (2021 – 19%). On 3 March 2021, the UK Government announced its intention to increase the rate of UK corporation tax from 19% to 25% from 1 April 2023 and this was subsequently substantively enacted on 24 May 2021.

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

	2022 Revenue	2022 Capital	2022 Total	2021 Revenue	2021 Capital	2021 Total
Net return/(loss) on ordinary activities after taxation	**0.29p**	**(56.95p)**	**(56.66p)**	**(0.05p)**	**55.96p**	**55.91p**

Revenue return per ordinary share is based on the net revenue gain on ordinary activities after taxation of £896,000 (2021 – loss of £141,000) and on 311,992,773 ordinary shares (2021 – 284,337,704) being the weighted average number of ordinary shares in issue during the year.

Capital return per ordinary share is based on the net capital loss for the financial year of £177,676,000 (2021 – net capital gain of £159,101,000) and on 311,992,773 ordinary shares (2021 – 284,337,704) 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

As at 31 January 2022	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Listed equities	594,241	–	–	**594,241**
Unlisted securities	–	–	16,616	**16,616**
Total financial asset investments	**594,241**	**–**	**16,616**	**610,857**

As at 31 January 2021	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Listed equities	741,185	–	–	**741,185**
Unlisted securities	–	–	9,758	**9,758**
Total financial asset investments	**741,185**	**–**	**9,758**	**750,943**

Investments in securities are financial assets designated at fair value through profit or loss. In accordance with Financial Reporting Standard 102, the tables provide an analysis of these investments based on the fair value hierarchy described below, which reflects the reliability and significance of the information used to measure their fair value.

Fair Value Hierarchy

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 pages 50 and 51.

8 Fixed Assets – Investments (continued)

Fair Value Hierarchy (continued)

Unlisted securities are categorised as Level 3. None of the financial liabilities are designated at fair value through profit or loss in the Financial Statements.

	Listed securities £'000	Unlisted securities † £'000	Total £'000
Cost of investments held at 1 February 2021	484,274	6,828	491,102
Investment holding gains at 1 February 2021	256,911	2,930	259,841
Value of investments held at 1 February 2021	**741,185**	**9,758**	**750,943**
Analysis of transactions during the year:			
Purchases at cost	126,098	7,258	133,356
Sales proceeds received	(91,154)	–	(91,154)
Losses on investments	(181,888)	(400)	(182,288)
Fair value of investments held at 31 January 2022	**594,241**	**16,616**	**610,857**
Cost of investments held at 31 January 2022	541,710	14,086	555,796
Investment holding gains at 31 January 2022	52,531	2,530	55,061
Fair value of investments held at 31 January 2022	**594,241**	**16,616**	**610,857**

†The unlisted security investments include holdings of preference shares in Moneytree K.K. and Gojo & Company, and ordinary shares in Spiber.

The company received £91,154,000 (2021 – £106,383,000) from investments sold in the year. The book cost of these investments when they were purchased was £68,662,000 (2021 – £57,328,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

The purchases and sales proceeds figures above include transaction costs of £53,000 (2021 – £72,000) and £47,000 (2021 – £54,000) respectively.

Of the gains on sales during the year of £22,492,000 (2021 – gains of £49,055,000), a net gain of £30,616,000 (2021 – net gain of £36,629,000) was included in the investment holding gains at the previous year end.

	2022 £'000	2021 £'000
Net gains on investments		
Gains on sales	22,492	49,055
Changes in investment holding gains	(204,780)	108,969
	(182,288)	**158,024**

The gains on sales of £22,492,000 and decrease in investment holding gains of £204,780,000 include amounts relating to: i) changes in local currency fair value of the investments and, ii) movements in the yen/sterling exchange rate.

9 Debtors

	2022 £'000	2021 £'000
Accrued income	1,941	1,348
Sales for subsequent settlement	535	–
Other debtors and prepayments	128	810
	2,604	**2,158**

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

10 Creditors – amounts falling due within one year

	2022 £'000	2021 £'000
Purchases for subsequent settlement	2,012	964
Other creditors and accruals	1,200	1,324
	3,212	**2,288**

Included in creditors is £835,000 (2021 – £1,035,000) 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

	2022 £'000	2021 £'000
Bank loans	**91,102**	**63,199**

The bank loans are stated after deducting the arrangement fees of £174,000 which are amortised over the terms of the loans. Amortisation of the arrangement fees during the year was £36,000 (2021 – £33,000).

Borrowing facilities

At 31 January 2022

ING Bank N.V. – 3 year ¥7,000 million loan at 1.400% maturing 27 November 2023.

ING Bank N.V. – 3 year ¥5,000 million loan at 1.400% maturing 8 November 2024.

ING Bank N.V. – 7 year ¥2,100 million loan at 1.693% maturing 18 December 2024.

At 31 January 2021

ING Bank N.V. – 3 year ¥7,000 million loan at 1.400% maturing 27 November 2023.

ING Bank N.V. – 7 year ¥2,100 million loan at 1.693% maturing 18 December 2024.

During the year the Company drew down a 3 year ¥5,000 million loan with ING Bank N.V.

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 £200 million.

There were no breaches in loan covenants during the year.

Security has been provided to ING Bank N.V. in respect of the loans by way of floating charges.

The interest rate, maturity profiles and fair value of the bank loans are shown in note 18.

12 Share Capital

	2022 Number	2022 £'000	2021 Number	2021 £'000
Allotted and fully paid ordinary shares of 2p each	**314,252,485**	**6,285**	**301,292,485**	**6,026**

At 31 January 2022 the Company had authority to buy back 45,980,698 shares. No shares were bought back during the year (2021 – nil). Share buy-backs are funded from the capital reserve.

During the year the Company issued 12,960,000 shares on a non pre-emptive basis at a premium to net asset value for net proceeds of £31,380,000 (2021 – 21,715,000 shares for net proceeds of £55,376,000). Between 1 February and 11 March 2022 the Company issued no further shares.

13 Capital and Reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 February 2021	6,026	229,149	21,521	446,084	(4,728)	**698,052**
Ordinary share issuance proceeds	259	31,173	–	–	–	**31,432**
Share issuance expenses	–	(52)	–	–	–	**(52)**
Net gain on disposal of investments	–	–	–	22,492	–	**22,492**
Changes in investment holding gains	–	–	–	(204,780)	–	**(204,780)**
Exchange differences on bank loans	–	–	–	4,752	–	**4,752**
Exchange differences on settlement of investment transactions	–	–	–	(52)	–	**(52)**
Other exchange differences	–	–	–	(88)	–	**(88)**
Net revenue return for the year	–	–	–	–	896	**896**
At 31 January 2022	**6,285**	**260,270**	**21,521**	**268,408**	**(3,832)**	**552,652**

The capital reserve includes investment holding gains of £55,061,000 (2021 – gains of £259,841,000) 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 attributable to the ordinary shareholders and the net asset value per ordinary share at the year end were as follows:

	2022	2021
Net asset value/shareholders' funds†	£552,652,000	£698,052,000
Number of ordinary shares in issue at year end	314,252,485	301,292,485
Shareholders' funds per ordinary share/net asset value per ordinary share (after deducting borrowings at book value)†	175.9p	231.7p

† See Glossary of Terms and Alternative Performance Measures on pages 69 and 70.

The value of the borrowings on the bases set out above are disclosed in note 18 on pages 57 to 61.

15 Contingent Liabilities, Guarantees and Financial Commitments

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

16 Analysis of Change in Net Debt

	31 January 2021 £'000	Cash Flows £'000	Exchange Movement £'000	Other non-cash changes £'000	31 January 2022 £'000
Cash and cash equivalents	10,438	23,207	(140)	–	33,505
Loans due in more than one year	(63,199)	(32,618)	4,752	(37)	(91,102)
	(52,761)	**(9,411)**	**4,612**	**(37)**	**(57,597)**

17 Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 38. 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. Details of Directors' holdings at 31 January 2022 are detailed in the Directors' Remuneration Report on page 39.

The management fee due to Baillie Gifford and Co Limited is set out in note 3 on page 52 and the amount accrued at 31 January 2022 is set out in note 10 on page 55. Details of the Investment Management Agreement are set out on page 28.

18 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 7. 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.

18 Financial Instruments and Risk Management (continued)

Currency Risk (continued)

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

At 31 January 2022	Investments £'000	Cash and deposits £'000	Bank loans £'000	Other debtors and creditors £'000	Net exposure £'000
Yen	610,857	33,445	(91,102)	217	**553,417**
Total exposure to currency risk	610,857	33,445	(91,102)	217	**553,417**
Sterling	–	60	–	(825)	**(765)**
	610,857	**33,505**	**(91,102)**	**(608)**	**552,652**

At 31 January 2021	Investments £'000	Cash and deposits £'000	Bank loans £'000	Other debtors and creditors £'000	Net exposure £'000
Yen	750,943	10,011	(63,199)	231	**697,986**
Total exposure to currency risk	750,943	10,011	(63,199)	231	**697,986**
Sterling	–	427	–	(361)	**66**
	750,943	**10,438**	**(63,199)**	**(130)**	**698,052**

Currency Risk Sensitivity

At 31 January 2022, 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 £55,342,000 (2021 – £69,799,000). 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 2022 is shown below. There was no significant change to the interest rate risk profile during the year.

Financial Assets

	2022 Fair value £'000	2022 Weighted average interest rate	2021 Fair value £'000	2021 Weighted average interest rate
Cash:				
Yen	33,445	(0.39%)	10,011	(0.35%)
Sterling	60	nil	427	nil
	33,505		**10,438**	

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.

18 Financial Instruments and Risk Management (continued)

Financial Liabilities

The interest rate risk profile of the Company's financial liabilities at 31 January was:

	2022 Book value £'000	2022 Weighted average interest rate	2022 Weighted average period until maturity	2021 Book value £'000	2021 Weighted average interest rate	2021 Weighted average period until maturity
Bank loans:						
Yen denominated – fixed rate	**91,102**	**1.4%**	**28 months**	**63,199**	**1.5%**	**37 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 22 and 23. In addition, various analyses of the portfolio by industrial sector, exchange listing, holding period and investment theme are shown on pages 21 and 24.

Listed Securities

107.5% of the Company's net assets are invested in Japanese quoted equities (2021 – 106.2%). A 10% increase in quoted equity valuations at 31 January 2022 would have increased total net assets and net return on ordinary activities after taxation by £59,424,000 (2021 – £74,119,000). 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.

Unlisted Securities

3.0% of the Company's net assets are invested in Japanese unlisted securities (2021 – 1.4%). A 20% increase in unlisted security valuations at 31 January 2022 would have increased total net assets and net return on ordinary activities after taxation by £3,323,000 (2021 – £1,952,000). A decrease of 20% would have had an equal but opposite effect. This analysis does not include the effect on the management fee of changes in unlisted security valuations.

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 investment portfolio is sufficiently liquid to allow stocks to be realised to repay borrowings if required.

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

18 Financial Instruments and Risk Management (continued)

Liquidity Risk (continued)

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

	2022 £'000	2021 £'000
In less than one year:		
– repayment of loan	–	–
– accumulated interest	1,069	1,095
In more than one year but not more than five years:		
– repayment of loan	91,208	63,297
– accumulated interest	1,781	1,982
	94,058	**66,374**

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 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 2022 and 2021, all cash deposits were held with the custodian bank. 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:

	2022 £'000	2021 £'000
Cash and deposits	33,505	10,438
Debtors	2,498	1,999
	36,003	**12,437**

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

18 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.

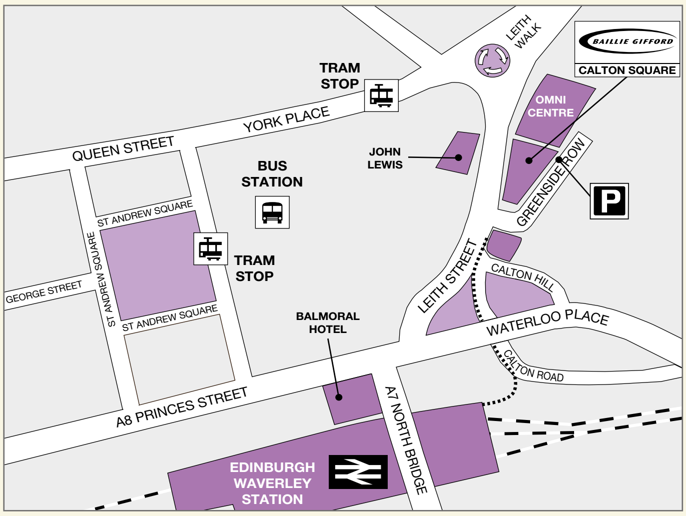
	2022 Book value £'000	2022 Fair* value £'000	2021 Book value £'000	2021 Fair* value £'000
Fixed rate yen bank loans	**91,102**	**91,174**	**63,199**	**63,740**

* The fair value of each bank loan is calculated using methodologies consistent with International Private Equity and Venture Capital Valuation ('IPEV') guidelines.

Capital Management

The capital of the Company is its share capital and reserves as set out in note 13 together with its borrowings (see notes 10 and 11). The Company's investment objective and policy is set out on page 7. 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 34 and 35 and pages 8 and 9, respectively. The Company has the ability to buy back and issue shares (see pages 29 and 30) 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 loans which are detailed in notes 10 and 11.

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, 12 May 2022 at 9.30am.

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

Baillie Gifford may record your call.

By Rail:
Edinburgh Waverley – approximately a 5 minute walk away

By Bus:
Lothian Buses local services include:
1, 5, 7, 8, 10, 12, 14, 15, 15A, 16, 22, 25, 34

By Tram:
Stops at St Andrew Square and York Place

Access to Waverley Train Station on foot

Notice is hereby given that the thirty seventh Annual General Meeting of 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, 12 May 2022 at 9.30am for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 to 11 will be proposed as ordinary resolutions and Resolutions 12 and 13 will be proposed as special resolutions.

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

Following the recent relaxation of Government restrictions in relation to Covid-19, the Board expects to be able to welcome shareholders to the meeting. However, should public health advice and Government measures change, arrangements will be made by the Company to ensure that the minimum number of shareholders required to form a quorum will attend the meeting in order that the meeting may proceed and the business be concluded. In this event, there will not be a presentation from the Managers. The Board will monitor developments and any changes will be updated on the Company's website. In the meantime, the Board encourages all shareholders to submit proxy voting forms as soon as possible and, in any event, by no later than 9.30am on 10 May 2022. We would encourage shareholders to monitor the Company's website at shinnippon.co.uk. Should shareholders have questions for the Board or the Managers or any queries as to how to vote, they are welcome as always to submit them by email to trustenquiries@bailliegifford.com or call 0800 917 2112. Baillie Gifford may record your call.

1. To receive and adopt the Financial Statements of the Company for the year ended 31 January 2022 with the Reports of the Directors and of the Independent Auditor thereon.
2. To approve the Directors' Annual Report on Remuneration for the year ended 31 January 2022.
3. To re-elect Mr MN Donaldson as a Director of the Company.
4. To re-elect Mr J Skinner as a Director of the Company.
5. To re-elect Professor S Vijayakumar as a Director of the Company.
6. To re-elect Mr KJ Troup as a Director of the Company.
7. To elect Ms CEC Finn as a Director of the Company.
8. To elect Ms AE Rotheroe as a Director of the Company.
9. To re-appoint KPMG LLP as Independent Auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
10. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
11. That, 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 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 £2,094,807.06 (representing 33.33% of the Company's total issued share capital as at 11 March 2022), 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.
12. That, subject to the passing of Resolution 11 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, either pursuant to the authority given by Resolution 11 above or by way of the sale of 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 £628,504.96 being approximately 10% of the nominal value of the issued share capital of the Company as at 11 March 2022.

13. 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 its 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 47,106,447, 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 the nominal value of that share;

(c) the maximum price (excluding expenses) which may be paid for each ordinary share shall not be more than the higher of:

(i) 5% 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 next Annual General Meeting, 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
5 April 2022

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 or telephone number 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 **eproxyappointment.com** no later than 48 hours (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 **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 48 hours (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

5. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting 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. 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 AGM (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.
9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a ‘Nominated Person’) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
11. The members of the Company may require the Company to publish, on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company’s Financial Statements, including the Auditor’s report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN.
12. Information regarding the AGM, including information required by section 311A of the Companies Act 2006, is available from the Company’s page of the Managers’ website at **shinnippon.co.uk**.
13. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
14. As at 11 March 2022 (being the last practicable date prior to the publication of this notice) the Company’s issued share capital consisted of 314,252,485 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 11 March 2022 were 314,252,485 votes.
15. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.
16. 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 or by asking a professional adviser to do so. 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 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 shinnippon.co.uk, Trustnet at 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 GB00BFXYH242

Sedol BFXYH24

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.

Key Dates

The Annual Report and Financial Statements are normally issued in March or early April and the AGM is normally held 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	9.45p	8.9p
Cost of fraction for warrant	0.55p	2.7p
	10.00p	

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	32.96p	35.6p
Cost of fraction for warrant	15.37p	16.6p

* Adjusted for the five for one share split on 21 May 2018.

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 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 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 **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.

These Financial Statements have been approved by the Directors of Baillie Gifford Shin Nippon PLC. 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

	2022 Number of shares held	2022 %	2021 Number of shares held	2021 %
Institutions	46,512,443	14.8	39,904,910	13.3
Intermediaries	262,338,061	83.5	254,097,759	84.3
Individuals†	4,287,984	1.4	6,466,089	2.1
Marketmakers	820,452	0.3	823,727	0.3
	314,252,485	**100.0**	**301,292,485**	**100.0**

†Includes all holdings under 5,000 shares.

Data Protection

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

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

Information on how to invest in Baillie Gifford Shin Nippon can be found at shinnippon.co.uk.

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.

The Company's risk could be increased by its investment in unlisted investments. These assets may be more difficult to sell, so changes in their prices may be greater.

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.

Share prices may either be below (at a discount) or above (at a premium) the net asset value (NAV). The Company may issue new shares when the price is at a premium which will reduce the share price. Shares bought at a premium can therefore quickly lose value.

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

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

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.

Further details of the risks associated with investing in the Company, including how charges are applied, can be found at 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.

Sustainable Finance Disclosure Regulation ('SFDR')

The EU Sustainable Finance Disclosure Regulation ('SFDR') does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As Shin Nippon is marketed in the EU by the AIFM, BG & Co Limited, via the National Private Placement Regime (NPPR) the following disclosures have been provided to comply with the high-level requirements of SFDR.

The AIFM has adopted Baillie Gifford & Co's Governance and Sustainable Principles and Guidelines as its policy on integration of sustainability risks in investment decisions.

Baillie Gifford & Co believes that a company cannot be financially sustainable in the long run if its approach to business is fundamentally out of line with changing societal expectations. It defines 'sustainability' as a deliberately broad concept which encapsulates a company's purpose, values, business model, culture, and operating practices.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build up an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. The likely impact on the return of the portfolio from a potential or actual material decline in the value of investment due to the occurrence of an environmental, social or governance event or condition will vary and will depend on several factors including but not limited to the type, extent, complexity and duration of an event or condition, prevailing market conditions and existence of any mitigating factors.

Whilst consideration is given to sustainability matters, there are no restrictions on the investment universe of the Company, unless otherwise stated within in its Objective & Policy. Baillie Gifford & Co can invest in any companies it believes could create beneficial long-term returns for investors. However, this might result in investments being made in companies that ultimately cause a negative outcome for the environment or society.

More detail on the Investment Manager's approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website bailliegifford.com.

Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework or criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under SFDR by introducing additional disclosure obligations in respect of AIFs that invest in an economic activity that contributes to an environmental objective. These AIFs are required to disclose (a) information on the environmental objective to which the investments underlying the AIF contribute (b) a description of how and to what extent the underlying investments of the AIF are in economic activities that qualify as environmentally sustainable and are aligned with the Taxonomy Regulation (c) the proportion, as a percentage of the AIF's portfolio, of investments in environmentally sustainable economic activities which are aligned with the Taxonomy Regulation (including the proportion, as a percentage of the AIF's portfolio, of enabling and transitional activities, as described in the Taxonomy Regulation). These disclosure obligations are being phased-in from 1 January 2022 in respect of the first two environmental objectives (climate change mitigation and climate change adaptation) and from 1 January 2023 in respect of the remaining four environmental objectives.

The Company does not commit to make sustainable investments as defined under SFDR. As such, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

Alternative Investment Fund Managers (AIFM) Regulations

In accordance with the AIFM Regulations, 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 Regulations, the AIFM remuneration policy is available at bailliegifford.com or on request (see contact details on the back cover) and the most recent numerical remuneration disclosures in respect of the AIFM's relevant reporting period are available at bailliegifford.com.

The Company's maximum and actual leverage levels (see Glossary of Terms and Alternative Performance Measures on pages 69 and 70) at 31 January 2022 were as follows:

Leverage

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.16:1	1.16:1

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 must provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

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

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

Third Party Data Provider Disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom.

No Provider has any obligation to update, modify or amend the data or to otherwise notify a recipient thereof in the event that any matter stated herein changes or subsequently becomes inaccurate.

Without limiting the foregoing, no Provider shall have any liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgements, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

MSCI Index data

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This document is not approved, endorsed, reviewed or produced by MSCI. None of the MSCI data is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

Glossary of Terms and Alternative Performance Measures (APM)

An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The APMs noted below are commonly used measures within the investment trust industry and serve to improve comparability between investment trusts.

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 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. The value of the borrowings on this basis is set out in notes 10 and 11 on page 55.

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

This is a widely reported measure across the investment trust industry. Borrowings are valued at an estimate of their market worth. The Company's yen denominated loans are fair valued using methodologies consistent with International Private Equity and Venture Capital Valuation ('IPEV') guidelines. The value of the borrowings on this basis is set out in note 18 on page 61. A reconciliation from Net Asset Value (with borrowings at book value) to Net Asset Value per ordinary share (with borrowings at fair value) is provided below.

	31 January 2022	31 January 2021
Net Asset Value per ordinary share (borrowings at book value)	175.9p	231.7p
Shareholders' funds (borrowings at book value)	£552,652,000	£698,052,000
Add: book value of borrowings	£91,102,000	£63,199,000
Less: fair value of borrowings	(£91,174,000)	(£63,740,000)
Shareholders' funds (borrowings at fair value)	£552,580,000	£697,511,000
Shares in issue at year end	314,252,485	301,292,485
Net Asset Value per ordinary share (borrowings at fair value)	175.8p	231.5p

Premium/Discount (APM)

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

	2022 NAV (book)	2022 NAV (fair)	2021 NAV (book)	2021 NAV (fair)
Closing NAV per share	175.9p	175.8p	231.7p	231.5p
Closing share price	174.4p	174.4p	244.0p	244.0p
(Discount)/premium	**(0.9%)**	**(0.8%)**	**5.3%**	**5.4%**

Ongoing Charges (APM)

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

A reconciliation from the expenses detailed in the Income Statement on page 46 is provided below:

	31 January 2022	31 January 2021
Investment management fee	£4,048,000	£3,514,000
Other administrative expenses	£684,000	£557,000
Total expenses (a)	**£4,732,000**	**£4,071,000**
Average daily cum-income net asset value (with debt at fair value) (b)	£719,124,000	£573,387,000
Ongoing charges (a) ÷ (b) (expressed as a percentage)	**0.66%**	**0.71%**

Total Return (APM)

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend. The Company does not pay a dividend, therefore, the one year total returns for the share price and NAV per share at book and fair value are the same as the percentage movements in the share price and NAV per share at book and fair value as detailed on page 4.

Gearing (APM)

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

Gearing represents borrowings at book 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.

Equity gearing is the Company's borrowings adjusted for cash, expressed as a percentage of shareholders' funds.

	2022 Gearing † £'000	2022 Potential Gearing # £'000	2021 Gearing † £'000	2021 Potential Gearing # £'000
Borrowings (a)	91,102	91,102	63,199	63,199
Cash and cash equivalents (b)	32,028	–	10,088	–
Shareholders' funds (c)	552,652	552,652	698,052	698,052
	10.7%	**16.5%**	**7.6%**	**9.1%**

†Gearing: ((a) – (b)) ÷ (c), expressed as a percentage.
#Potential gearing: (a) ÷ (c), expressed as a percentage.

Leverage

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

Active Share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the listed equity 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.

Net Liquid Assets

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

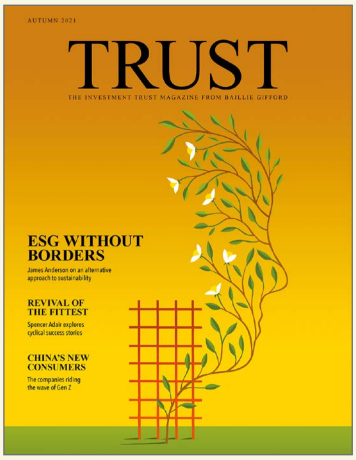
Share Split

A share split (or stock split) is the process by which a company divides its existing shares into multiple shares. Although the number of shares outstanding increases, the total value of the shares remains the same with respect to the pre-split value.

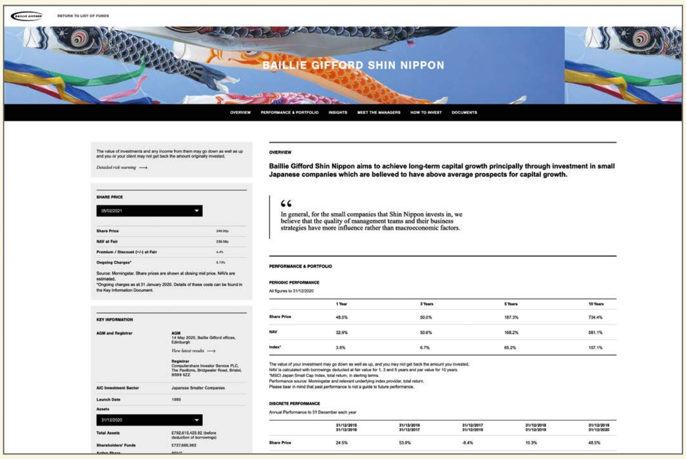
Unlisted (Private) Company

An unlisted (private) company means a company whose shares are not available to the general public for trading and not listed on a stock exchange.

Communicating with Shareholders



Trust Magazine



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

Trust Magazine

Trust is the Baillie Gifford investment trust magazine which is published twice a year. It provides an insight to our investment approach by including interviews with our fund managers, as well as containing investment trust news, investment features and articles about the trusts managed by Baillie Gifford, including Baillie Gifford Shin Nippon. *Trust* plays an important role in helping to explain our products so that readers can really understand them.

An online version of *Trust* can be found at bailliegifford.com/trust.

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 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 about Baillie Gifford Shin Nippon.

Client Relations Team Contact Details

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

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

Email: trustenquiries@bailliegifford.com
Website: bailliegifford.com

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

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

Directors

Chairman:
MN Donaldson

CEC Finn
AE Rotheroe
J Skinner
MR Somerset Webb
KJ Troup
S Vijayakumar

Alternative Investment Fund Managers, Secretaries and Registered Office

Baillie Gifford & Co Limited
Calton Square
1 Greenside Row
Edinburgh
EH1 3AN
Tel: 0131 275 2000
bailliegifford.com

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Tel: 0370 889 3223

Company Brokers

Winterflood Securities Ltd
The Atrium Building
Cannon Bridge House
25 Dowgate Hill
London
EC4R 2GA

Independent Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Depositary

The Bank of New York Mellon (International) Limited
1 Canada Square
London
E14 5AL

Company Details

shinnippon.co.uk

Company Registration No. SC093345
ISIN GB00BFXYH242
Sedol BFXYH24
Ticker BGS

Legal Entity Identifier:
X5XCIPCJQCSUF8H1FU83

Further Information

Baillie Gifford Client Relations Team
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