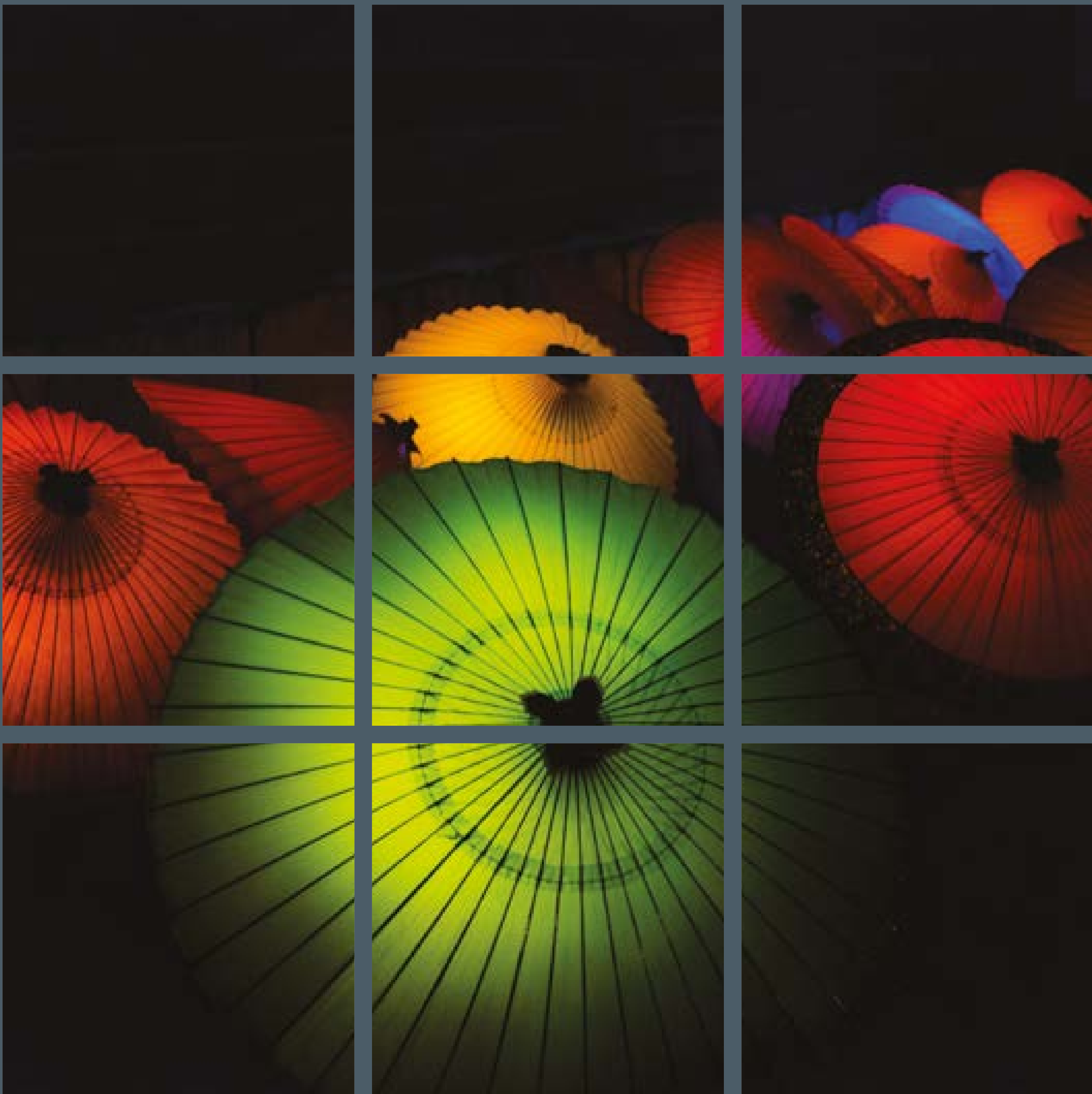
BAILLIE GIFFORD SHIN NIPPON PLC

Investing in new opportunities in Japan



Annual Report and Financial Statements
31 January 2023

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.

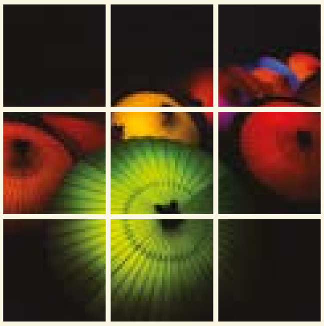
Investment trusts are UK public listed companies and as such comply with the requirements of the UK Listing Authority. They are not authorised or regulated by the Financial Conduct Authority.

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 which are believed to have above average prospects for growth.

Financial Highlights – Year to 31 January 2023

Total Returns*

Share Price	NAV (borrowings at book value)	NAV (borrowings at fair value†)	Comparative Index#
-8.9%	-1.3%	-1.2%	+5.7%

* Source: Refinitiv/Baillie Gifford. Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 76 and 77 and comparatives for 2022 on page 4.

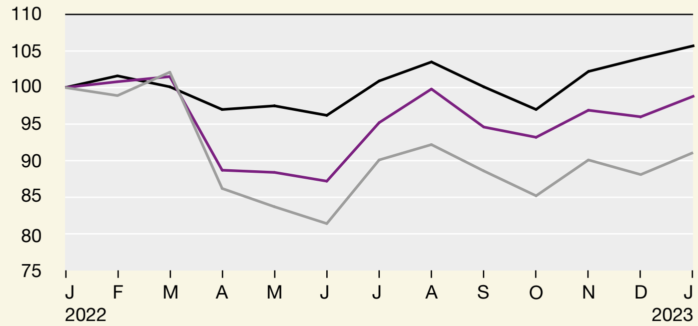
NAV, Share Price and Comparative Index

(figures rebased to 100 at 31 January 2022)

Share price

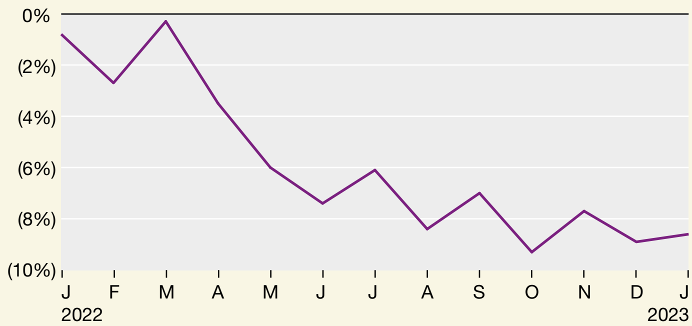
NAV (after deducting borrowings at fair value†)

Comparative Index#



Discount†

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



† Alternative Performance Measure – see Glossary of Terms on pages 76 and 77.

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 75.

Past performance is not a guide to future performance.

Strategic Report

This Strategic Report, which includes pages 2 to 28 and incorporates the Chair's Statement has been prepared in accordance with the Companies Act 2006.

Chair's Statement

Performance

Over the year to 31 January 2023, Shin Nippon's net asset value ('NAV') per share* declined by 1.2% and its share price by 8.9%. The comparative index (MSCI Japan Small Cap Index, total return in sterling terms) appreciated by 5.7%. As highlighted in my prior reports, your Board has historically reviewed performance principally over rolling three-year periods and it is disappointing to report relative underperformance over this period. Over the three years to 31 January 2023, the Company's net asset value per share appreciated by 0.5% during this period and its share price declined by 6.8%. Shin Nippon's comparative index return appreciated by 6.6%.

Following a review and assessment of the Managers' time horizon for investment, the Board has concluded that, going forward, performance should be measured principally over rolling five-year periods. Over the five years to 31 January 2023, the Company's net asset value per share appreciated by 2.9% and its share price declined by 13.9%. Shin Nippon's comparative index return appreciated by 7.6% over this period. As you will note later in my report, at this year's Annual General Meeting ('AGM') shareholders are being asked to approve proposed changes to the Company's Objective and Policy, one of which is to construct the portfolio through the identification of individual companies which offer long term growth potential typically over a five rather than three-to-five year period. Reviewing performance principally over five-year periods aligns with this. As illustrated on page 6 the Company outperformed the peer group over a five-year period.

In the Managers' Report on pages 12 to 14, you will find a more detailed explanation of the recent performance and commentary on some of the holdings, as well as performance numbers over five and ten years. The Board maintains close oversight of the performance of the Company. Although three year performance has been disappointing and performance over the last two years has damaged longer-term returns, we remain satisfied with the ten-year performance of the Company. The Board recognises that the valuation downgrade of growth companies does not always correlate with their operational performance. We remain committed to the Managers' unwavering focus on high-growth smaller companies and are confident that the Company is well placed to benefit from the long term prospects of the companies held in the portfolio.

Growth investing is currently out of sync with investor sentiment and, as the Managers' fundamental bottom-up investment approach does not consider the make-up of the comparative index when constructing the portfolio, the recent performance in absolute and relative terms is not unexpected and shareholders should expect periods of underperformance. The Company also dropped back out of the FTSE 250 index in March 2022, having been promoted in November 2020.

Outlook

The war in Ukraine is continuing to undermine sentiment in many ways. High inflation is now a real threat to global growth and the inevitable increases in interest rates will continue to provide headwinds in many economies. Shin Nippon will not be immune to these issues.

That said, your Board was very encouraged to meet twenty-four different companies on its recent trip to Japan. We met companies already owned in the portfolio as well as some potential new holdings both in the listed and the unlisted space. It was apparent that the negative effects of Covid-19 over the last couple of years have largely dissipated, leading to a more positive outlook with no visible evidence of any doom and gloom. However, there is no getting away from the issue of the ageing population in Japan where people are living longer and, where the economy is trying to grow, this inevitably puts pressure on the ability to recruit suitable skilled labour. I have mentioned this structural issue in previous statements. The companies we met were all aware of these issues and your Board was left confident that they were being addressed. The number of foreign workers in Japan continues to grow and this trend will inevitably continue in the years ahead. There is no doubt that the companies we met were engaging and confident about their future growth prospects. We met some highly skilled individuals who are still trying to disrupt norms and we were left feeling that the small cap sector in which the Company invests is in good shape.

The Managers have for many years adopted a stock picking approach when shaping the portfolio. As the Directors discovered on the trip, opportunities will continue to present themselves and we are wholly supportive of the Managers in seeking those out and continuing to strengthen the portfolio. The start-up environment for companies is changing and Government policies are more supportive. There is a positive attitude to creating wealth and starting exciting, disruptive businesses. The Board and the Managers remain encouraged by the outlook.

Past performance is not a guide to future performance.

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 75.

*After deducting borrowings at fair value. For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 76 and 77.

Borrowings

The Company's invested gearing increased over the course of the year from 11% to 15%† whilst potential gearing was unchanged at 16%. Subsequent to the year end, a new secured ¥2,000 million three-year revolving credit facility was drawn down from ING Bank N.V. The Board agreed to increase gearing to allow the Managers to invest in the strong pipeline of current opportunities, bolstering the high growth nature of the portfolio at the right time and at attractive valuations.

As at 31 January 2023, the Company had total borrowings of ¥14.1 billion (£88.0 million) at an average interest rate of 1.4%. During the year the yen weakened against sterling by 3.4%. 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 1.11p compared to 0.29p the prior year. The revenue reserve remains in deficit, therefore the Board is recommending that no dividend be paid. The Company's ongoing charges were 0.74%† compared to 0.66% a year earlier. Although expenses decreased during the year the average daily NAV fell from £719.1 million in 2022 to £521.3 million in 2023 causing the increase in the overall ongoing charge percentage. A reconciliation of this can be found on page 76.

Share Issuance and Buybacks

Having ranged between a 1.5% premium and 11.6% discount, averaging a 6.1%† discount, the Company's shares ended the period at an 8.6% discount to the NAV per share, having been at a 0.8% discount a year earlier.

During the course of the year, 100,000 shares were bought back at a cost of £154,000 and are currently held in treasury. As part of this year's AGM business, approval is again being sought to renew the authority to buy back shares. This would enable the Company to buy back shares if the discount to NAV was substantial in absolute terms or in relation to its peers, should that be deemed desirable. Any such activity would enhance the NAV attributable to existing shareholders.

Although no shares were issued during the year, there will also be an AGM resolution to authorise the approval of share issuance, on a non pre-emptive basis, of up to 10% of the Company's issued share capital. As done in the past, any share issuance would be undertaken at a premium to NAV per share and therefore be NAV accretive for existing shareholders. The Board is of the view that being able to increase the size of the Company, when conditions permit, helps to improve liquidity, reduces costs per share and potentially increases the appeal of the Company to a wider range of shareholders.

Board Composition and Governance

I have thoroughly enjoyed my time as a Director and Chair of Baillie Gifford Shin Nippon PLC but, as highlighted to the market back in December, I will not be seeking re-election at the AGM in May. It has been a pleasure for me to work with such an impressive Board and also such a talented team at Baillie Gifford. I have thoroughly enjoyed my time on the Board and am proud of our achievements over the last nine years.

On my retirement, I am pleased to report that Mr Jamie Skinner will take on the chairship of the Board and Mr Kevin Troup will become Chair of the Audit Committee. Ms Abigail Rotheroe has been appointed as the Chair of the Nomination Committee, effective from 1 February 2023.

The composition of the ongoing Board is appropriate for the foreseeable future and will be compliant with the pending diversity rules coming into effect for accounting periods beginning on or after 1 April 2022 (see page 36).

Environmental, Social and Governance (ESG)

The consideration of ESG factors is part of the long term, active, patient and growth focused 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. Some examples of engagement with companies undertaken by the Managers can be found on page 23.

Annual General Meeting – Objective & Policy and Articles of Association

In addition to the usual, and also aforementioned, AGM business, a resolution is being put before shareholders to make a number of, principally, stylistic changes to the Company's Objective and Policy, which will also help to clarify some potential unintended ambiguities in the current wording and to align investment horizons with the Managers'. A comparison of the proposed and current wording can be found on pages 7 and 8. The Board is taking a prudent approach to these changes and is treating them, in aggregate, as a material change. Therefore, in accordance with the Listing Rules, the Company is required to seek shareholder approval for the proposed amendments.

Furthermore, shareholders are being asked to approve changes to the Company's Articles of Association, details of which can be found on pages 33 and 34. One of the amendments would, if passed, permit the Company to hold virtual AGMs in the future. This authority is being sought not as a replacement to in-person AGMs, but as an alternative in extremis should it be required due to prevailing circumstances meaning that an in-person meeting was not possible, as was the case at points during recent years because of restrictions due to Covid-19.

This year's AGM will take place in person at Baillie Gifford's offices in Edinburgh at 9:15am on Wednesday 17 May 2023. The Managers will be presenting and the Board and I look forward to seeing as many of you there as possible.

M Neil Donaldson
21 March 2023

† Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 76 and 77.

One Year Summary

The following information illustrates how Shin Nippon has performed over the year to 31 January 2023.

	31 January 2023	31 January 2022	% change
Total assets*	£633.5m	£643.8m	
Bank loans	£88.0m	£91.1m	
Shareholders' funds	£545.5m	£552.7m	
Net asset value per ordinary share (after deducting borrowings at fair value)†	173.7p	175.8p	(1.2)
Net asset value per ordinary share (after deducting borrowings at book value)*	173.6p	175.9p	(1.3)
Share price	158.8p	174.4p	(8.9)
Comparative index#			5.7
Yen/sterling exchange rate	160.10	154.59	(3.4)
Discount (after deducting borrowings at fair value)†	8.6%	0.8%	
Discount (after deducting borrowings at book value)†	8.5%	0.9%	
Revenue earnings per ordinary share	1.11p	0.29p	
Ongoing charges†	0.74%	0.66%	
Active share†	94%	95%	

Year to 31 January	2023	2023	2022	2022
Year's high and low	**High**	**Low**	**High**	**Low**
Net asset value per ordinary share (after deducting borrowings at fair value)†	184.2p	139.2p	263.2p	169.5p
Share price	182.0p	131.8p	268.0p	169.0p
Premium/(discount) (after deducting borrowings at fair value)†	1.5%	(11.6%)	5.0%	(4.7%)

	31 January 2023	31 January 2022
Net return per ordinary share		
Revenue return	1.11p	0.29p
Capital return	(3.35p)	(56.95p)
Total return	**(2.24p)**	**(56.66p)**

* See Glossary of Terms and Alternative Performance Measures on pages 76 and 77.
† Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 76 and 77.
# 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 75.

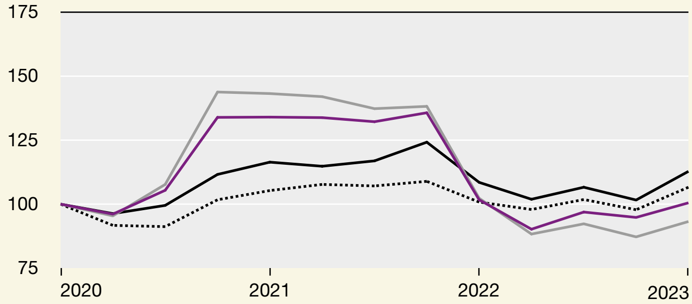
Past performance is not a guide to future performance.

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 2023. The Board reviews performance principally over rolling five year periods.

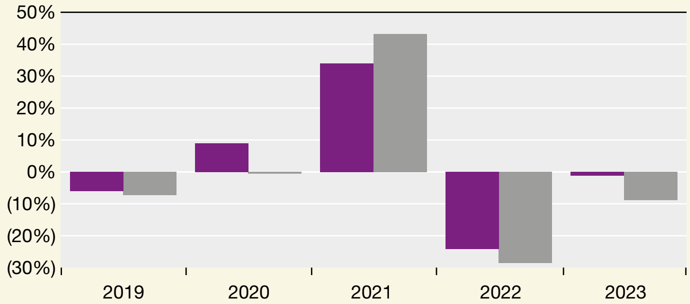
Three Year Performance

(figures rebased to 100 at 31 January 2020)



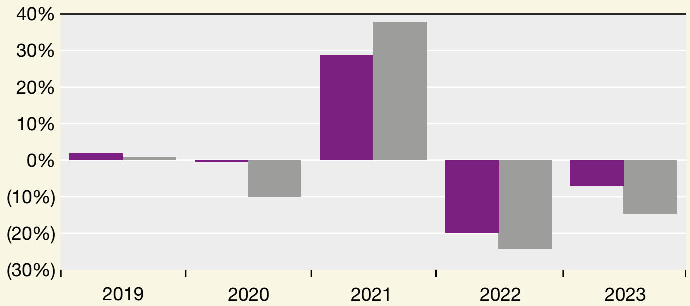
Source: Refinitiv/Baillie Gifford and relevant underlying index providers‡.
Shin Nippon NAV#
Shin Nippon share price#
Comparative Index*
Peer Group NAV#

Annual change in Net Asset Value and Share Price



Source: Refinitiv/Baillie Gifford‡.
NAV return (after deducting borrowings at fair value)†
Share price return

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



Source: Refinitiv/Baillie Gifford and relevant underlying index providers‡.
Relative NAV return (after deducting borrowings at fair value)†
Relative share price return

Total return. NAV data is after deducting borrowings at fair value (see Glossary of Terms and Alternative Performance Measures on pages 76 and 77). 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).

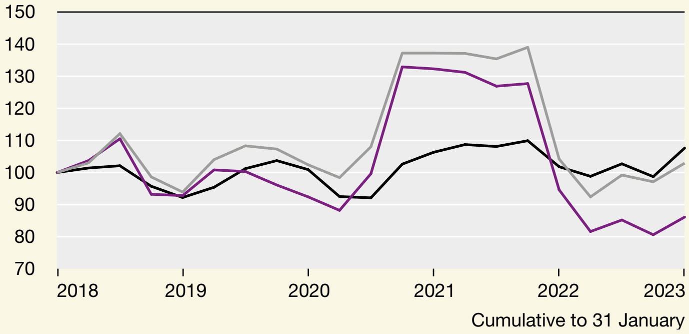
† See Glossary of Terms and Alternative Performance Measures on pages 76 and 77.

‡ See disclaimer on page 75.

Past performance is not a guide to future performance.

Five Year Performance

(figures rebased to 100 at 31 January 2018)



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

Share price

NAV (after deducting borrowings at fair value)#

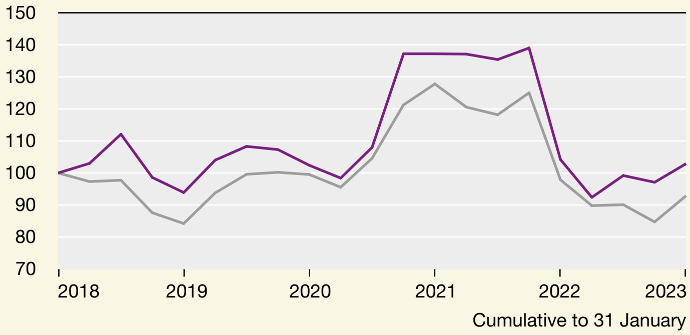
Comparative Index*

* 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 76 and 77.

Five Year Peer Group Performance

(figures rebased to 100 at 31 January 2018)



Source: Refinitiv/Baillie Gifford‡.

Shin Nippon

Peer Group†

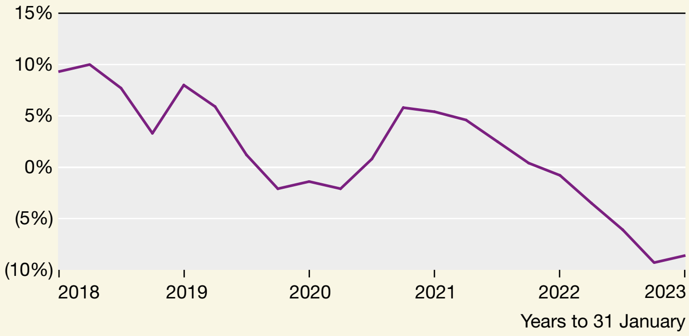
NAV total return (after deducting borrowings at fair value) in sterling terms#.

† AIC peer group comprises: Atlantis Japan Growth and JP Morgan Japan Small Cap Income & Growth. AVI Japan Opportunity and Nippon Active Value were not part of the peer group for the full period and have therefore been excluded. Data is unweighted.

See Glossary of Terms and Alternative Performance Measures on pages 76 and 77.

Premium/(Discount) to Net Asset Value

(plotted on a quarterly basis)

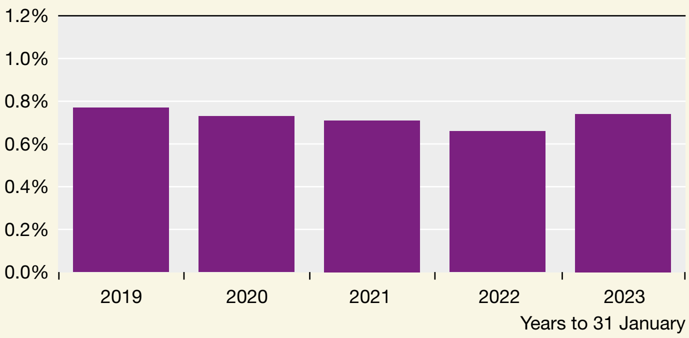


Source: Refinitiv/Baillie Gifford and relevant underlying index providers‡.

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 76 and 77).

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 76 and 77).

‡ See disclaimer on page 75.

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 quoted 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.

Current 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 quoted 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.

Proposed Objective and Policy

As detailed in the Chair's Statement on pages 2 and 3, the Board is proposing to change the Company's Objective and Investment Policy to make a number of, principally, stylistic changes, which will also help to clarify some potential unintended ambiguities in the current wording and to align investment horizons with the Managers'. Although the fundamental objective of the Company remains unchanged the Board is taking a prudent approach to these changes and is treating them, in aggregate, as a material change. Therefore, in accordance with the Listing Rules, the Company is required to seek shareholder approval for the proposed amendments. If Resolution 14 is approved at the AGM, the Objective and Investment Policy will be as follows:

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. A small company is considered to be one that typically has either market capitalisation or turnover of less than ¥150 billion at the time of initial investment.

The portfolio is constructed through the identification of individual companies which offer long term growth potential, typically over a 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 companies. 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.

Exposure to any single company is limited to 5% of the Company's total assets, measured at the time of investment. Exposure to a single company that, as a result of performance, exceeds 5% of the Company's total assets is subject to particular scrutiny but may be maintained at a level in excess of 5% where the Managers are convinced of the ongoing merits of the investment case.

The Company may invest in UK and Overseas domiciled collective investment schemes, 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 quoted equity holdings, however unlisted investments may also be held. Unlisted investments shall not exceed 10% of the total assets of the Company in aggregate, measured at the time of investment.

From time to time, fixed interest instruments, 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.

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 76 and 77.

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 five year periods.

A historical record of the KPIs is shown on pages 4 to 6 and on page 28.

Borrowings

The Company has ¥14,100 million (£88.0 million) fixed rate secured borrowings with ING Bank N.V. (2022 – ¥14,100 million (£91.1 million)) maturing between 27 November 2023 and 18 December 2024 as detailed on page 59 (the ¥7,000 million fixed rate loan matures on 27 November 2023).

Following the year end, on 3 March 2023, a new secured ¥2,000 million three year revolving credit facility was drawn down from ING Bank N.V. which matures on 3 March 2026.

Principal and Emerging Risks

As explained on pages 36 and 37 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. There have been no significant changes to the principal risks during the year other than to move cyber security risk from emerging to principal risks and to disclose the risk associated with holding private company investments as a discrete risk. A description of these risks and how they are being managed or mitigated is set out below.

The Board considers the increasing macroeconomic and geopolitical concerns to be factors which exacerbate existing risks, rather than discrete risks, within the context of an investment trust. Their impact is considered within the relevant risks.

Financial Risk – the Company's assets consist mainly of quoted 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 61 to 65. 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 of various geopolitical events. 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.

Private Company (Unlisted) Investments – the Company's risk could be increased by its investment in private company securities. These assets may be more difficult to buy or sell, so changes in their prices may be greater than for quoted investments. To mitigate this risk, the Board considers the private company securities in the context of the overall investment strategy and provides guidance to the Managers on the maximum exposure to private company securities. The investment policy limits the amount which may be invested in private company securities to 10% of the total assets of the Company in aggregate, measured at the time of investment.

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.

Environmental, Social 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 38).

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

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

Cyber Security Risk – a cyber attack on Baillie Gifford's network or that of a third party service provider could impact the confidentiality, integrity or availability of data and systems. To mitigate this risk, the Audit Committee reviews Reports on Internal Controls published by Baillie Gifford and other third party service providers. Baillie Gifford's Business Risk Department report to the Audit Committee on the effectiveness of information security controls in place at Baillie Gifford and its business continuity framework. Cyber security due diligence is performed by Baillie Gifford on third party service providers which includes a review of crisis management and business continuity frameworks.

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 59. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found on page 75 and in the Glossary of Terms and Alternative Performance Measures on pages 76 and 77.

Political Risk – political developments are closely monitored and considered by the Board. 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 36 and 37 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 geopolitical tensions and new coronavirus variants or similar public health threats. 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 to 10 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 secured bank loans which are due to expire between November 2023 and March 2026. 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 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. In May, the Managers uploaded a film to the Company's website (shinnippon.co.uk) providing an update on the performance of the Company as well as the Managers' view on the long-term outlook for Japanese smaller companies. The Chair 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 page 23. 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 buying back of 100,000 of the Company's own shares into treasury at a discount to net asset value, for subsequent reissue, in order to ensure the Company's shareholders found liquidity for their shares when natural market demand was insufficient, and on terms that enhance net asset value for remaining shareholders;

— arranging a three year ¥2,000 million secured revolving credit facility subsequent to the year end on 3 March 2023 from ING Bank N.V., for the purpose of investing in exciting Japanese small cap opportunities, which the Board believes will enhance long term returns for shareholders; and

— following a formal tender process, the Board proposes the appointment of Johnston Carmichael LLP as Auditor for the financial year commencing 1 February 2023.

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 2023 the Board comprises six Directors, four male and two female. Mr MN Donaldson will retire from the Board at the conclusion of the AGM on 17 May 2023. The Company has no employees. The Board's policy on diversity is set out on page 36.

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 38 and the Managers' approach to stewardship and examples of portfolio company engagement are set out on pages 22 and 23.

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 Chair's Statement on pages 2 and 3 and in the Managers' Report on pages 12 to 14.

The Strategic Report which includes pages 2 to 28 was approved by the Board on 21 March 2023.

M Neil Donaldson
Chair

Managers' Report

2022 was another difficult year for growth investing. A number of external events weighed on investor sentiment. Global supply chains, especially autos and semiconductors, are recovering gradually but continue to suffer from the after-effects of the pandemic. The war in Ukraine had global repercussions as Europe started weaning itself off Russian gas, driving up global energy prices in the process. This has been a major cause of the high rates of inflation being witnessed globally. Central banks across the world have been raising interest rates in a bid to control inflation. This has resulted in significant weakness in the share price of high growth stocks as investors worry that higher interest rates would lead to weak demand for their goods and services in the future.

Against this challenging backdrop, there have been encouraging signs. An uptick in inflation is leading to wage growth in real terms. This is particularly noteworthy as wages have been generally flat in Japan for the past thirty years due to deflation. Increases in wages should lead to higher consumer confidence and thus a more positive outlook for the domestic economy. Japan has now fully reopened its borders to tourists, having eliminated all Covid-related entry requirements. More recently, these green shoots of a return to normality have been reflected in market sentiment. We are returning to an environment where share prices are driven more by fundamentals than pure macro developments. Despite disappointing share price performance, we note that the vast majority of our holdings have actually exhibited good operational progress.

Performance

Shin Nippon's focus is, and remains, to invest in fast-growing smaller companies in Japan which are often run by dynamic founders. We continue to believe that they are driving much-needed change, especially in light of an ageing and shrinking workforce. We remain certain that investing in these companies will enable us to generate attractive shareholder returns in the long run, despite short-term turbulence. Companies in more traditional sectors of the economy continue to face long-term challenges and we, therefore, prefer to back companies that are disrupting the status quo.

For the year ending 31 January 2023, Shin Nippon's net asset value ('NAV') decreased by 1.2% compared to an increase of 5.7% in the MSCI Japan Small Cap Index (all figures total return and in sterling terms, NAV with borrowings at fair value). Growth stocks have remained out of favour, reflecting the market's preference for short-term certainty over long-term opportunity. Encouragingly, the outlook seems to be getting less myopic. Following continued share price weakness in the first half of the year, we witnessed a more encouraging level of performance in the second half. We remain optimistic regarding the long-term growth prospects of the high-growth businesses held in Shin Nippon but note that the Company's weak performance over the past two years has impacted the long-term numbers, which we consider a fairer way of looking at performance. Over five years, Shin Nippon's NAV has increased by 2.9% versus an increase of 7.6% in the comparative index. Over ten years, Shin Nippon's NAV has increased by 310.4% compared to an increase of 150.1% in the MSCI Japan Small Cap Index.

Numerous macro headwinds and the lingering effects of Covid-19 have led to poor share price performance at many of our internet companies. Infomart, Japan's leading online food ordering platform, was one such poor performer. The significant decline in eating out naturally hit a company that is connecting suppliers with restaurants. Despite this extraordinarily tough environment, Infomart has grown its sales over the past year and is returning to higher profitability. Its recently started electronic invoicing business is gaining traction as well. We remain attracted by the opportunities in both segments and are hopeful that the market will re-evaluate Infomart on the back of its improving fundamentals.

Online legal website Bengo4.com similarly remains out of fashion despite maintaining a high growth rate in sales and a very significant increase in profitability. Its electronic signature segment 'CloudSign' has established itself as the industry standard in Japan to the extent that management is now focusing on improving margins rather than just growing sales.

Another detractor to performance was biotech company Healios. Unfortunately, its main drug failed to show improved patient outcomes in a clinical trial, so we decided to sell the holding.

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 75.
Past performance is not a guide to future performance.
For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 76 and 77.

Among the positive contributors was insurance company Lifenet. It is the leading online life insurer in Japan albeit with a still very small share of the overall market. Lifenet's sales growth recently accelerated, and the company is edging closer to profitability. It continues to partner with major enterprises in Japan, like mobile provider KDDI and credit card company Sumitomo Mitsui Card. The opportunity remains significant, and we continue to believe that Lifenet is much nimbler than incumbent insurance companies and will therefore be able to take market share for a long period of time. Drugstore chain MatsukiyoCocokara was another strong performer. As referenced in the interim report, the company recently acquired a smaller competitor and is benefitting from the resultant synergies, leading to increased profitability for the group as a whole. A large proportion of its sales come from cosmetics which means that it should benefit from a recovery in inbound tourism. Japanese cosmetics are highly appreciated, especially by Chinese consumers, and MatsukiyoCocokara is well placed to satisfy any future increases in demand.

Another beneficiary of Japan's reopening is Kamakura Shinsho, an online platform for funerals and end-of-life related services. In-person funerals have resumed in earnest in Japan following the removal of all Covid-era restrictions. This has allowed the company to re-accelerate its sales growth and boost its profitability which took a significant hit during Covid-19. The funeral industry in Japan remains deeply conservative and is characterised by very high prices. Kamakura Shinsho continues to disrupt this unhappy status-quo to give consumers better choices. Its growth runway remains significant.

Portfolio

Reflecting our bottom-up stock-picking approach, Shin Nippon's active share remains high at 94%. This implies only a 6% overlap with the comparative index. The portfolio turnover for the financial year was 13.8% which is in line with our long investment horizon of five to ten years.

We purchased seven new holdings in the financial year, including one private company. They represent an eclectic range of industries which illustrates our non-dogmatic approach to investing. Among the new holdings was Avex, one of Japan's leading music entertainment businesses. Led by the founder, who remains in the role of chair, management used the pandemic disruption to aggressively streamline the business and bolster the balance sheet. With a return to normality, Avex should benefit from a recovery in the live music industry and its strong net cash position will allow it to strengthen its competitive position.

Within cosmetics we discovered and invested in the Osaka-based company I-ne. The company name stands for "Innovation never ends". This relatively young business specialises in female haircare products. Despite entering a competitive market, it has consistently boasted mid-teen percentage revenue growth. New products have grown even faster. True to its name, the company is utilising new and innovative techniques like artificial intelligence to analyse product-market fit and customer feedback. This in turn is driving product development and the company has a good

Kohoku Kogyo produces lead terminals for aluminium electrolytic capacitators used in electric vehicles.

track record of developing hit products. We are attracted by the growth prospects and believe that margins can significantly improve in the future. Furthermore, the founder retains a 70% stake in the company which should provide good alignment.

We also invested in two niche manufacturing businesses: Nittoku and Kohoku Kogyo. Both have significant global market share in their respective business areas. Nittoku produces cutting-edge coil winding machinery. Coils are found in virtually every electronic product, but the real attraction is a continuous endeavour to reduce their size and improve performance. The former is particularly important for mobile handsets, where the number of coils jumped from eight in a 4G handset to 40 in 5G. The latter is of significance for electric vehicles as better coils lead to increased performance. Kohoku Kogyo is similarly exposed to electric vehicles. The company produces lead terminals for aluminium electrolytic capacitors. Compared to an internal combustion engine car, an electric vehicle requires two to four times as many capacitors. Given the high-performance requirements and high value-add, Kohoku's products are priced at a premium and this should allow the company to improve its margins over time. It also produces optical isolators for undersea internet data cables, an area in which we have seen increased activity by both nation states and private companies such as Alphabet and Meta.

In the private company space, we invested in plastic recycling company JEPLAN. In contrast to conventional mechanical recycling methods, JEPLAN utilises a patented chemical method to recycle PET and polyester. JEPLAN's approach is environmentally friendly, scalable and highly energy efficient. It is working with companies like Coca-Cola Japan and Nestlé Japan in the food and drink sector as well as apparel brands like Uniqlo and Snow Peak. Despite being quite small and private, the company is already generating a decent level of sales and is close to profitability.

Software company SpiderPlus was another addition to the portfolio. It offers software as a service ('SaaS') solutions for the management of construction sites. The construction industry in Japan is very large and has barely been digitised. Even more importantly, it is plagued by an ageing and shrinking workforce and a large number of unfilled positions. Tools to make workers more efficient are therefore very valuable and SpiderPlus' product enables significant time and cost savings. The company is led by a dynamic founder with a background in construction subcontracting and we admire the ambition he has for his company.

We exited nine holdings over the financial year. Among them was CyberAgent, a media company offering online advertisement, mobile games and online television. Having been held since 2013, the share price has increased markedly, and its advertising and gaming end markets are mature and becoming more competitive. As such, we struggled to see the company growing its sales and profits significantly from here. A somewhat idiosyncratic case was specialist financial software company Uzabase. A private equity company announced its intention to acquire Uzabase at a 72% premium which we felt was attractive and therefore decided to tender our shares. While still somewhat unusual in Japan, we have noted an increase in private equity activity over the past few years.

We also sold Aeon Delight, a building security and maintenance company. Contrary to our original investment hypothesis, the company has been unable to diversify its client base meaningfully beyond its parent company Aeon. We also had high hopes for the company in the Chinese market which remains large and fragmented but even here, management have not shown the drive and dynamism to seize the opportunity, opting to adopt a more piecemeal approach instead.

Outlook

Given the scale and speed of the downturn in high growth stocks post-Covid, we remain very conscious that this has negatively affected Shin Nippon's short and longer-term performance. However, this has also meant that growth stocks are now priced at levels that assume barely any future increase in revenues or profits, which is in stark contrast to their underlying fundamentals. Despite the discomfort from volatility, we believe it is important to stay true to our stated investment philosophy and process which has served shareholders well over longer periods of time. Being patient and seeing through market noise increases our chances of picking exceptional companies that will deliver attractive long-term returns.

As Japan slowly moves out of Covid-19, the focus will return to long-term challenges. A shrinking labour force calls for increased digitalisation and more efficient ways of working. Global warming and high energy prices provide motivation to decarbonise the Japanese and global economy. The inexorable shift to electric vehicles requires a recalibration of the auto industry. Geopolitics is leading to a reshaping of the semiconductor industry. All these challenges call for dynamic and nimble enterprises, run by bold entrepreneurs willing to seize the myriad of opportunities that these changes are creating. We believe Japanese smaller companies are at the forefront of enabling many of these industry shifts, thereby providing an exciting array of investment opportunities.

Valuing Private Companies

We hold our private company investments at an estimation of ‘fair value’, i.e. the price that would be paid in an open-market transaction. Valuations are adjusted both during regular valuation cycles and on an ad hoc basis in response to ‘trigger events’. Our valuation process ensures that private companies are valued in both a fair and timely manner.

The valuation process is overseen by a valuations committee at Baillie Gifford, which takes advice from an independent third party (S&P Global). The valuations committee is independent from the portfolio managers, as well as Baillie Gifford’s Private Companies Specialist team, with all voting members being from different operational areas of the firm, and the portfolio managers only receive final valuation notifications once they have been applied.

We revalue the private holdings on a three-month rolling cycle, with one-third of the holdings reassessed each month. For Baillie Gifford Shin Nippon, and our other investment trusts, the prices are also reviewed twice per year by the respective boards and are subject to the scrutiny of external auditors in the annual audit process.

Recent market volatility has meant that recent pricing has moved much more frequently than would have been the case with the quarterly valuations cycle.

Beyond the regular cycle, the valuations committee also monitors the portfolio for certain ‘trigger events’. These may include changes in fundamentals, a takeover approach, an intention to carry out an Initial Public Offering (‘IPO’), company news which is identified by the valuation team or by the portfolio managers or changes to the valuation of comparable public companies.

The valuations committee also monitors relevant market indices on a weekly basis and update valuations in a manner consistent with our external valuer’s (S&P Global) most recent valuation report where appropriate. When market volatility is particularly pronounced the team does these checks daily. Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published net asset value. There is no delay.

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 five pages.

Top Ten

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 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. 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 run by a young and dynamic President who owns a large stake in the business.

Nakanishi

2.5% of total assets

Nakanishi manufactures dental equipment, specialising in rotary cutting tools (handpieces), where it is one among the few leading players globally. Whilst developed economies are fairly mature in terms of trends in dental health care, there is significant growth in emerging economies as standards of living rise and hygiene regulations are tightened. Nakanishi looks particularly well placed to exploit growth in the Chinese market where it has a leading market share at the higher end of the market. The company is very profitable and has had a good record of growth since listing in 2000. It is also run by the founding Nakanishi family who own a significant stake in the business, thereby ensuring strong alignment with minority shareholders.

Shoei

2.5% 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, is able to 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.

Descente

2.5% 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 predominantly 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. Roughly 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.

Descente has a heritage in performance sportswear, backed by research and development.

TechnoPro

2.5% of total assets

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

Snow Peak has a strong reputation within Japan's camping community and has a dedicated and growing user-base.

Snow Peak

2.4% of total assets

Snow Peak is Japan's leading brand of high-end camping items with a line-up of roughly 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, roughly 1 in 3 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 nearly 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.

MatsukiyoCocokara

2.3% of total assets

MatsukiyoCocokara is a leading drugstore in Japan. It was formed through the merger of Matsumotokiyoshi, a high end cosmetics retailer, and Cocokara Fine, a drugstore. The combined entity now holds among the largest market share by number of stores in Japan. The integration of both businesses has been progressing well and there are considerable synergies to be had from joint procurement and operational rationalisation. The combined entity has been realising these merger benefits, leading to rising margins. In addition, the cosmetics business should be a big beneficiary of inbound tourism whereas the drugstore part should have long-term structural growth opportunities due to Japan's demographics.


Toyo Tanso has a leading global share in isotropic graphite used in renewable energy equipment.

Toyo Tanso

2.2% 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 nearly 30% of the company being held by the family and related investment vehicles. We think this ensures strong long-term alignment with minorities.

Lifenet Insurance

2.2% of total assets

Lifenet Insurance is a fast-growing online life insurance business. It offers plain-vanilla life insurance products and sells predominantly through its own online platform. Its direct-to-consumer model allows it to price competitively, potentially an enduring competitive advantage. Incumbent peers tend to operate people-heavy distribution channels and are burdened with an ill-fitting cost base. Lifenet's customer centricity is backed by skills and expertise in systems development. It is a mix between an insurer and an internet-services business. We think this combination is attractive. Indeed, third-party businesses in Japan are increasingly keen to team up with Lifenet. The regulatory environment in Japan makes it difficult for new entrants to write business on their own books, this is further help for Lifenet. We think Lifenet is an ambitious and nimble business attacking a huge, rather stale, industry.

Optex

2.1% of total assets

Optex is a global leader in infrared and laser sensors used in areas such as surveillance systems, intrusion detection and factory automation. More recently, the company has been successful in expanding the areas of application for its sensors, a couple of examples being in remote monitoring of customer facilities and acceleration sensors that measure how safely people drive cars (which is then used for calculating insurance premiums for customers). The number of growing areas of applications for its sensors means that Optex is well placed to enjoy high growth rates for many years.


Optex is a global leader in infrared and laser sensors.

New Buys

GMO Financial Gate

1.6% of total assets

GMO Financial Gate ('GMOFG') is a leading offline digital payments provider. Unlike online digital payments that happen exclusively over the internet, offline digital payments take place either at a physical store or at IoT enabled terminals like vending machines, ticketing machines, self-checkout terminals and automated parking meters. Offline transactions also typically involve the use of a terminal (card reader, QR code scanner etc.) that supports a wide range of payment methods like credit/debit cards, points cards and QR codes. While most payments companies in Japan operate in the online payments space and continue to focus all their energies in this area, the offline market has basically been left uncontested. GMOFG has filled this gap and is looking to automate what remains a very large addressable market, many magnitudes larger than the market for online payments. Along with offering automated offline payments solutions like transaction processing and terminal sales, GMOFG has also partnered with VISA and Sumitomo Mitsui Financial Group (one of Japan's largest credit card issuers) to build an alternate offline payments network that is low cost and much faster compared to traditional networks operated by other card companies. It has also developed a terminal called 'Stera' that operates exclusively on this new network and supports an extensive range of payment methods. Stera also comes with an 'App Store' style option for merchants from where they can download and install seamlessly a range of applications that help them with things like inventory management and electronic invoicing. As part of the GMO group, GMOFG has a very strong edge in terms of being part of the GMO ecosystem and can offer end-to-end solutions to the considerable client base of the GMO Group. The company has been growing rapidly and given all the attractions mentioned above, growth here could be sustained for many years to come.

GMO Financial Gate is a leading offline digital payments provider.

Avex has successfully promoted several million-record selling artists in Japan.

Avex

1.4% of total assets

Avex is one of the largest music entertainment businesses in Japan. The company has a proven record in discovering domestic artists and managing and developing their careers. It has successfully promoted several million-record selling artists in Japan. Avex is now expanding in other related areas such as visual software and targeting overseas markets. The pandemic has severely disrupted the business as no live events or shows have been held for at least a couple of years. Management have sold some assets to strengthen their balance sheet and have also managed to sell some of their treasury shares to longstanding shareholder and business partner CyberAgent. This has resulted in a significant net cash position on Avex's balance sheet. As the pandemic-era restrictions are removed, we should see a strong snap back in sales and profit growth for Avex, and along with its rock-solid balance sheet, we feel the company could be in prime position to invest aggressively to further strengthen its competitive position. The founder is still involved in the business as the Chair owns about 7% of the company, and the rest of the management team are longstanding Avex employees, so overall there appears to be strong alignment.

Nittoku

1.0% of total assets

Nittoku is a leading global manufacturer of coil winding systems. Its coil winding machines enjoy a high global market share percentage and the overall industry is characterised by a rational oligopoly. Coils are used in a number of attractive end markets, the most prominent of which are the automotive industry and mobile handsets. In automotive, there is a long standing trend of motorising parts like windows and doors all of which require an increasing number of coils. However, the most important development is the move to electric vehicles. EVs rely on large, complex coils in the car engine itself. Given Nittoku's expertise in high quality coil winding the company should see increased demand from automobile OEMs. In mobile handsets, we can observe a similar trend: a 5G handset uses far more advanced coils than a 4G handset. With consumers slowly switching over to better mobile phones we see a very long growth runway for Nittoku.

JEPLAN's chemical plastic recycling is more energy efficient, environmentally friendly and scalable than existing mechanical recycling methods.

JEPLAN

0.9% of total assets

JEPLAN is a private company that has developed a proprietary chemical recycling technology for polyethylene terephthalate ('PET') plastics. This technology can also be extended to recycling apparels. JEPLAN's technology is the only production-proven chemical recycling method that has been certified by the USFDA. Chemical recycling is superior to existing and conventional mechanical recycling. It removes significant amounts of impurities from recycled materials thereby generating high grade virgin PET that is far superior to that generated by conventional mechanical recycling. Chemical recycling is also more energy efficient, environmentally friendly and scalable than existing mechanical recycling methods. Following an independent external audit, JEPLAN claim that their patented chemical recycling process contributes to as much as a 45% reduction in greenhouse gases relative to mechanical recycling. While the price of chemically recycled virgin PET is not yet competitive versus mechanical recycled PET, JEPLAN aims to achieve parity in 3–5 years through additional capacity additions and further process improvements.

JEPLAN already boasts of an impressive client list that includes the likes of Coca-Cola Japan, Uniqlo, Snow Peak, Nestlé Japan, Kirin, Suntory and Kao, to name a few. The global market for recycled PET is sizeable and JEPLAN currently only has a tiny share, so there should be many years of growth ahead for the company. It is a founder run company and the two co-founders own roughly a third of the shares between them.

SpiderPlus

0.8% of total assets

SpiderPlus is aiming to digitise Japan's construction industry. The company provides architectural drawing and construction site management software. Foremen on construction sites can use SpiderPlus' SaaS offering to save significant time previously spent on administrative duties. SpiderPlus is led by a founder with a background in the construction industry and the company is characterised by a closeness to their customers and a keen desire to solve their problems. The overall construction market in Japan is massive but IT spend is a tiny fraction of this, meaning that SpiderPlus potentially has a very long growth runway. Given this opportunity set, management are unsurprisingly pursuing sales growth and are willing to incur temporary losses.

Kohoku Kogyo

0.7% of total assets

Kohoku Kogyo is a leading global manufacturer of lead terminals for aluminium electrolytic capacitors and optical isolators for undersea cables. The company enjoys a high market share in both aluminium electrolytic capacitators and optical isolators. Lead terminals are used in a variety of end products, from home appliances to electric vehicles. The main growth driver is in battery electric vehicles, which require 2–4x as many capacitors as internal combustion engine vehicles. Given the higher requirements and premium nature of the product, these lead terminals are 5–7x as profitable as more commoditised terminals. The optical isolator segment is buoyed by significant investment in undersea cables to improve global internet connectivity. This is pursued by both national governments as well as private players such as Alphabet and Meta.

I-ne

0.5% of total assets

I-ne is a small Osaka-based cosmetics company founded by a young entrepreneur who owns nearly 70% of the business. The company's main area of focus is female hair care and for a young company, it already boasts a very high market share and brand recognition. Despite being introduced over five years ago and in a market that is very competitive and saturated with similar products, I-ne's hair care range has continued to grow at a high rate since launch. Interestingly, some of the newer products they have launched are growing at an even faster pace. The company makes extensive use of AI-driven data analytics, all of which have been developed in-house, to gather market intelligence and user feedback which they then feed into their product development process. We believe the company has good growth prospects given its unique product development model and a proven track record of developing hit products on a reasonably consistent basis.

Investment Changes

	Valuation at 31 January 2022 £'000	Net acquisitions/ (disposals) £'000	Appreciation/ (depreciation) £'000	Valuation at 31 January 2023 £'000
Equities:				
Consumer Discretionary#	108,563	(1,541)	20	107,042
Consumer Staples	31,854	3,920	6,693	42,467
Communication Services	33,786	8,077	1,046	42,909
Financials	33,470	(3,140)	8,300	38,630
Healthcare	57,670	(4,808)	(9,774)	43,088
Industrials#	177,349	9,307	(366)	186,290
Information Technology	135,188	17,328	(15,111)	137,405
Materials	14,158	2,306	(828)	15,636
Real Estate	18,819	(3,635)	(2,729)	12,455
Total investments	**610,857**	**27,814**	**(12,749)**	**625,922**
Net liquid assets*	32,897	(24,429)	(924)	7,544
Total assets	**643,754**	**3,385**	**(13,673)**	**633,466**
Bank loans	(91,102)	(49)	3,138	(88,013)
Shareholders' Funds	**552,652**	**3,336**	**(10,535)**	**545,453**

* See Glossary of Terms and Alternative Performance Measures on pages 76 and 77.

\# During the year MSCI reclassified Crowdworks from Consumer Discretionary to Industrials. The valuation at 31 January 2022 has been restated to reflect this. See disclaimer on page 75.

Baillie Gifford Statement on Stewardship

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 our holdings to be ambitious and focus their investments on long-term value creation. We understand that it is easy 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 holdings away from destructive financial engineering towards activities that create genuine economic and stakeholder value over the long run. We are happy that our value will often be in supporting management when others don't.

A Constructive and Purposeful Board

We believe that boards play a key role in supporting corporate success and representing the interests of all capital providers. There is no fixed formula, but it is our expectation that boards have the resources, information, cognitive and experiential diversity they need to fulfil these responsibilities. We believe that good governance works best when there are diverse skillsets and perspectives, paired with an inclusive culture and strong independent representation able to assist, advise and constructively challenge 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 genuine long-term alignment with external capital providers. We are accepting of significant payouts 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 all enterprises to maintain strong relationships with all stakeholders – employees, customers, suppliers, regulators and the communities they exist within. We do not believe in one-size-fits-all policies and recognise that operating policies, governance and ownership structures may need to vary according to circumstance. Nonetheless, we believe the principles of fairness, transparency and respect should be prioritised at all times.

Sustainable Business Practices

We believe an entity's long-term success is dependent on maintaining its social licence to operate and look for holdings to work within the spirit and not just the letter of the laws and regulations that govern them. We expect all holdings to consider how their actions impact society, both directly and indirectly and encourage the development of thoughtful environmental practices. Climate change, environmental impact, social inclusion, tax and fair treatment of employees should be addressed at board level, with appropriately stretching policies and targets focused on the relevant material dimensions. Boards and senior management should understand, regularly review and disclose information relevant to such targets 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 two examples below demonstrate our stewardship approach through constructive, ongoing engagement.

Outsourcing

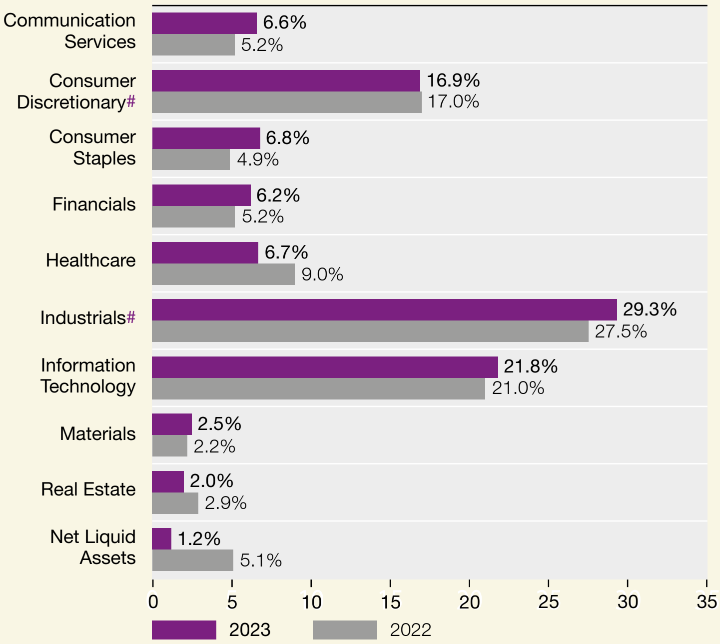
Outsourcing is a staffing company focused on the manufacturing and IT sectors. Outsourcing came under scrutiny in 2021 after accounting irregularities were revealed at a major consolidated subsidiary. We have had a number of engagements with the company since that time to better understand the context for the internal failures in controls and to encourage management and the board to improve not just processes but also the cultural elements that created the conditions for the fraudulent behaviour. We have been encouraged by their progress, and this year was notable for two reasons. The first is their decision to change their governance to an internationally recognised board-with-three-committees structure. This places them within a select cohort of approximately 2.5% of quoted companies in Japan (as of 2022). The second is their observation that as a result of an externally facilitated board evaluation, they discovered that there were differences in the information available to internal and external directors. This led to a rethink about how they increase the external directors' understanding of the business and facilitate their involvement in important internal meetings. These are both helpful indications that not only is the company pursuing proactive changes to address the specifics of the 2021 controversy, the second and third-order effects are improving governance overall, in line with a company whose governance must mature as its business does.

Istyle

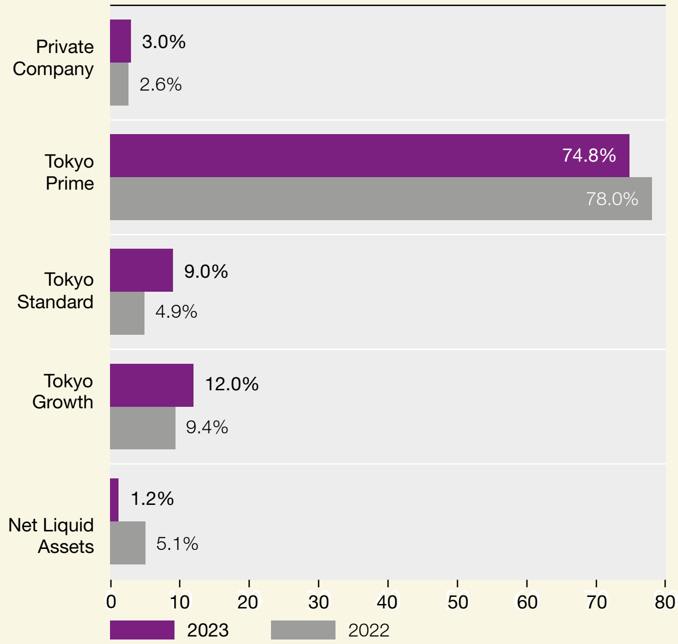
Istyle operates in a range of cosmetic beauty segments. They run a beauty portal, a marketing business, e-commerce sites and a staffing business for salons. Ahead of their 2022 AGM we engaged with the company to discuss board independence, their deal with Amazon and emissions reporting. Board independence has been a recurring topic of conversation and we were encouraged that they intended to appoint a new non-Japanese, female outside director in 2022. They were particularly interested in someone who can bring expertise in diversity and support women's progression within the company. This recruitment was delayed due to the Amazon deal, but they expected it to proceed in 2023. On the recent convertible bond deal with Amazon, board positions and independence were also discussed, as granting Amazon a seat on the board would have impacted the independence. Lastly, the discussion covered Istyle's approach to emissions reporting. They are currently exploring the ways in which they impact the environment and are undertaking various sustainability initiatives. The meeting provides an illustrative example of how our engagements build year on year and evolve and develop in line with a company's development and market context.

Distribution of Total Assets

Industry

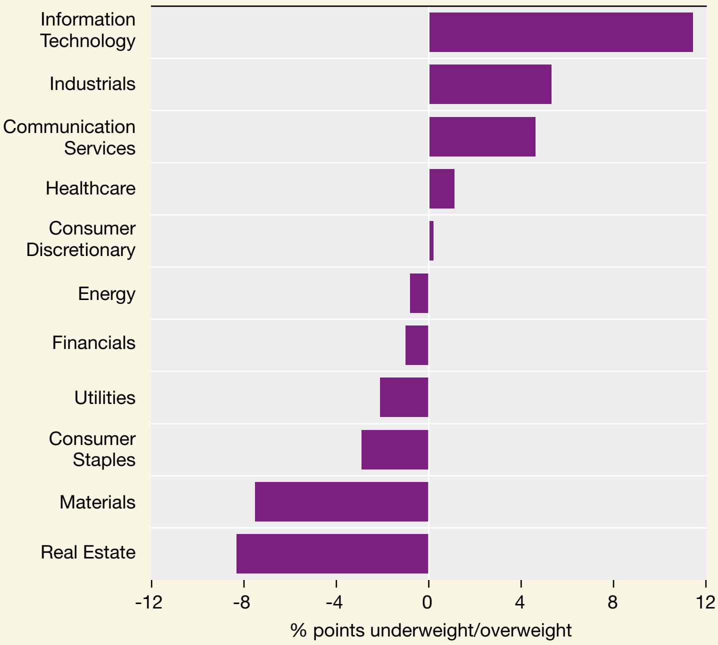


Listings†

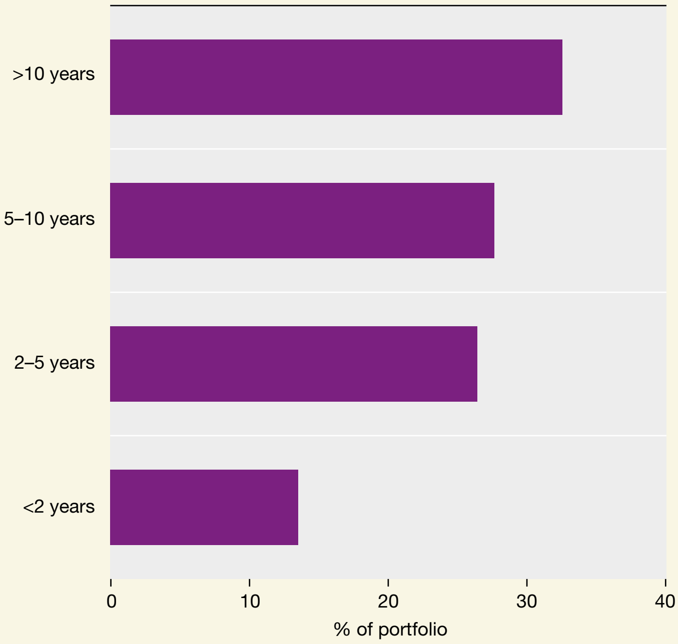


Portfolio Weightings*

Relative to comparative index



Holding Period



* Source: Baillie Gifford/StatPro and relevant underlying index providers. See disclaimer on page 75 and Glossary of Terms and Alternative Performance Measures on pages 76 and 77.

During the year MSCI reclassified Crowdworks from Consumer Discretionary to Industrials. The valuation at 31 January 2022 has been restated to reflect this. See disclaimer on page 75.

† On 4 April 2022, the Tokyo Stock Exchange reorganised its five market segments into three: the Prime Market for global companies, the Standard Market, and the Growth Market for companies with high growth potential. The 2022 figures have been restated to reflect this.

List of Investments at 31 January 2023

Name	Business	2023 Value £'000	% of total assets	Absolute† performance %	2022 Value £'000
Litalico	Provides employment support and learning support services for people with disabilities	17,296	2.7	(10.3)	17,425
Nakanishi	Dental equipment	16,153	2.5	32.7	8,378
Shoei	Manufactures motor cycle helmets	15,876	2.5	11.8	14,971
Descente	Manufactures athletic clothing	15,573	2.5	(2.4)	17,512
TechnoPro	IT staffing	15,571	2.5	36.7	14,269
Snow Peak	Designs and manufactures outdoor lifestyle goods	14,943	2.4	(10.2)	17,097
MatsukiyoCocokara	Retail company	14,731	2.3	61.5	11,067
Toyo Tanso	Electronics company	14,181	2.2	38.6	5,301
Lifenet Insurance	Online life insurance	13,364	2.2	98.5	4,690
Optex	Infrared detection devices	13,314	2.1	37.3	5,606
Raksul Inc	Internet based services	12,867	2.0	(27.2)	14,841
Torex Semiconductor	Semiconductor company	12,857	2.0	(0.1)	14,020
eGuarantee	Guarantees trade receivables	12,543	2.0	26.1	10,002
Katitas	Real estate services	12,455	2.0	(10.7)	18,818
Sho-Bond	Infrastructure reconstruction	12,445	2.0	8.7	16,518
Tsugami	Manufacturer of automated machine tools	12,250	1.9	8.0	14,359
GA Technologies	Interactive media and services	11,594	1.8	29.1	6,282
OSG	Manufactures machine tool equipment	11,135	1.8	0.1	9,915
Nifco	Value-added plastic car parts	10,574	1.7	(0.6)	10,837
Cybozu	Develops and markets internet and intranet application software for businesses	10,534	1.7	80.7	8,817
Top 20		**270,256**	**42.8**		
Megachips	Electronic components	10,209	1.6	(35.7)	16,415
GMO Financial Gate	Face-to-face payment terminals and processing services	10,181	1.6	31.7#	–
Cosmos Pharmaceuticals	Drugstore chain	9,900	1.6	(13.9)	8,942
Yonex	Sporting goods	9,828	1.6	72.2	5,497
Harmonic Drive	Robotic components	9,342	1.5	(5.8)	9,715
Tsubaki Nakashima	Industrial machinery	9,069	1.4	(20.6)	11,275
Avex	Entertainment management and distribution	8,960	1.4	65.5#	–
Kamakura Shinso	Information processing company	8,937	1.4	102.7	3,455
Noritsu Koki	Holding company with interests in biotech and agricultural products	8,886	1.4	24.2	9,440
Asahi Intecc	Specialist medical equipment	8,774	1.4	12.0	3,984
Iriso Electronics	Specialist auto connectors	8,500	1.4	(8.5)	8,590
Kumiai Chemical	Specialised agrochemicals manufacturer	8,200	1.3	10.2	5,986
Nihon M&A Center	M&A advisory services	7,907	1.2	(28.2)	9,201
Anest Iwata	Manufactures compressors and painting machines	7,852	1.2	12.6	6,658
Peptidream	Drug discovery and development platform	7,829	1.2	(5.1)	6,844
Horiba	Manufacturer of measuring instruments	7,775	1.2	(3.0)	9,719
Infomart	Internet platform for restaurant supplies	7,751	1.2	(39.0)	12,525
Kitanotatsujin	Online retailer	7,492	1.2	46.4	5,212
KH Neochem	Chemical manufacturer	7,436	1.2	(6.6)	8,172
GMO Payment Gateway	Online payment processing	7,351	1.2	18.0	12,520
Seria	Discount retailer	7,120	1.1	(2.8)	5,533
Outsourcing	Employment placement services	7,076	1.1	(24.9)	8,423
Wealthnavi	Digital robo wealth-management	7,074	1.1	(16.0)	8,795
Weathernews	Weather information services	6,935	1.1	(11.1)	7,705
Enechange	IT service management company	6,922	1.1	(30.7)	7,581
Jeol	Manufacturer of scientific equipment	6,878	1.1	(40.1)	19,044
Inter Action	Semiconductor equipment	6,813	1.1	(26.3)	6,193

† Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 February 2022 to 31 January 2023.

Name	Business	2023 Value £'000	% of total assets	Absolute† performance %	2022 Value £'000
SIIX	Out-sources overseas production	6,579	1.0	6.2	5,448
MonotaRO	Online business supplies	6,552	1.0	2.1	10,499
Bengo4.com	Online legal consultation	6,488	1.0	(45.9)	8,883
Nabtesco	Robotic components	6,449	1.0	4.8	8,622
Nittoku	Coil winding machine manufacturer	6,403	1.0	34.6#	–
JEPLAN^u	Chemical PET recycling	5,653	0.9	(6.6)#	–
Gojo & Company Inc Class D Preferred^u	Diversified financial services	5,650	0.9	7.3	5,266
Crowdworks	Crowd sourcing services	5,481	0.9	75.3	2,903
Shima Seiki	Machine industry company	5,402	0.9	9.3	1,082
Kitz	Industrial valve manufacturer	5,352	0.8	23.9	4,520
SpiderPlus	Construction project management platform	5,347	0.8	(28.1)#	–
Spiber^u	Synthetic spider silk	5,131	0.8	(27.9)	7,116
Nikkiso	Industrial pumps and medical equipment	5,017	0.8	19.4	3,730
Poletowin Pitcrew	Game testing and internet monitoring	4,948	0.8	(8.9)	5,399
Nippon Ceramic	Electronic component manufacturer	4,882	0.8	(0.9)	5,246
WDB Holdings	Human resource services	4,465	0.7	(21.9)	5,953
Kohoku Kogyo	Manufacturer of lead terminals for aluminium electrolytic capacitors and optical isolators for undersea cables	4,374	0.7	(6.5)#	–
Pigeon	Baby care products	4,171	0.7	(8.4)	3,742
Freakout Holdings	Digital marketing technology	4,097	0.6	5.7	3,309
Demae-Can	Online meal delivery service	3,947	0.6	(44.3)	1,942
M3	Online medical services	3,454	0.5	(22.0)	5,733
I-ne	Hair care range	3,111	0.5	24.3#	–
Calbee	Branded snack foods	3,062	0.5	9.8	2,891
oRo	Develops and provides enterprise planning software	2,991	0.5	(21.5)	5,341
Daikyonishikawa	Automobile part manufacturer	2,837	0.4	3.8	3,529
Akatsuki	Mobile games developer	2,833	0.4	(14.0)	4,732
Brainpad	Business data analysis	2,472	0.4	(36.5)	4,604
Locondo	E-commerce services provider	2,401	0.4	(12.7)	3,722
Moneytree K.K. Class B Preferred^u	AI based fintech platform	2,312	0.4	(45.4)	4,234
Istyle	Beauty product review website	1,516	0.2	149.3	2,383
Broadleaf	Online platform for buying car parts	1,292	0.2	26.3	2,930
Total investments		**625,922**	**98.8**		
Net liquid assets*		**7,544**	**1.2**		
Total assets		**633,466**	**100.0**		
Bank loans		**(88,013)**	**(13.9)**		
Shareholders' funds		**545,453**	**86.1**		

† Absolute performance (in sterling terms) has been calculated on a total return basis over the period 1 February 2022 to 31 January 2023.
Source: Baillie Gifford/StatPro and relevant underlying index data providers. See disclaimer on page 75.
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 76 and 77.

Past performance is not a guide to future performance.

Portfolio by Investment Theme at 31 January 2023

Global Brands

Name	% of total assets
Shoei	2.5
Descente	2.5
Snow Peak	2.4
Yonex	1.6
Pigeon	0.7
Calbee	0.5
I-ne	0.5
Akatsuki	0.4
Total	**11.1**

Healthcare

Name	% of total assets
Nakanishi	2.5
MatsukiyoCocokara	2.3
Cosmos Pharmaceuticals	1.6
Noritsu Koki	1.4
Asahi Intecc	1.4
Peptidream	1.2
WDB Holdings	0.7
Total	**11.1**

Real Estate and Financials

Name	% of total assets
Lifenet Insurance	2.2
eGuarantee	2.0
Katitas	2.0
GA Technologies	1.8
Wealthnavi	1.1
Gojo & Company Inc Class D Preferredⓤ	0.9
SpiderPlus	0.8
Total	**10.8**

Online Disruptors

Name	% of total assets
Litalico	2.7
Raksul	2.0
Cybozu	1.7
GMO Financial Gate	1.6
Kamakura Shinso	1.4
Kitanotatsujin	1.2
GMO Payment Gateway	1.2
Infomart	1.2
Weathernews	1.1
Enechange	1.1
MonotaRO	1.0
Bengo4.com	1.0
Crowdworks	0.9
Demae-Can	0.6
Freakout Holdings	0.6
M3	0.5
Moneytree K.K. Class B Preferredⓤ	0.4
Brainpad	0.4
Locondo	0.4
Broadleaf	0.2
Istyle	0.2
Total	**21.4**

Outsourcing/Services

Name	% of total assets
TechnoPro	2.5
Sho-Bond	2.0
Avex	1.4
Nihon M&A Center	1.2
Outsourcing	1.1
Seria	1.1
SIIX	1.0
Poletowin Pitcrew	0.8
oRo	0.5
Total	**11.6**

Niche Manufacturers

Name	% of total assets
Toyo Tanso	2.2
Optex	2.1
Torex Semiconductor	2.0
Tsugami	1.9
OSG	1.8
Nifco	1.7
Megachips	1.6
Harmonic Drive	1.5
Iriso Electronics	1.4
Tsubaki Nakashima	1.4
Kumiai Chemical	1.3
KH Neochem	1.2
Horiba	1.2
Anest Iwata	1.2
Inter Action	1.1
Jeol	1.1
Nittoku	1.0
Nabtesco	1.0
Shima Seiki	0.9
JEPLANⓤ	0.9
Nikkiso	0.8
Spiberⓤ	0.8
Kitz	0.8
Nippon Ceramic	0.8
Kohoku Kogyo	0.7
Daikyonishikawa	0.4
Total	**32.8**

Net liquid assets represent 1.2% of total assets. See Glossary of Terms and Alternative Performance Measures on pages 76 and 77.

ⓤ 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	Premium/ (discount) # %
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)
2023	**633,466**	**88,013**	**545,453**	**173.7**	**158.8**	**(8.6)**

* 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 76 and 77.
# (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 76 and 77.
Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 75.

Revenue

Year to 31 January	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue (loss)/earnings per ordinary share p	Ongoing charges ‡ %
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
2023	**9,617**	**3,490**	**1.11**	**0.74**

Gearing Ratios

Year to 31 January	Gearing ¶ %	Potential gearing § %
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
2023	**15**	**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 76 and 77.
¶ Borrowings at book value less all cash and cash equivalents divided by shareholders' funds. See Glossary of Terms and Alternative Performance Measures on pages 76 and 77.
§ Borrowings at book value divided by shareholders' funds. See Glossary of Terms and Alternative Performance Measures on pages 76 and 77.
Source: Baillie Gifford.

Cumulative Performance (taking 2013 as 100)

At 31 January	Net asset value per share ^	Share price	Comparative index **
2013	100	100	100
2014	146	146	117
2015	162	143	133
2016	204	200	147
2017	273	267	199
2018	399	411	233
2019	375	382	214
2020	409	380	235
2021	547	544	247
2022	416	389	237
2023	**411**	**354**	**250**
Compound annual returns			
5 year	0.6%	(2.9%)	1.5%
10 year	15.2%	13.5%	9.6%

^ 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 76 and 77.
** 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 75.
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 Chair in 2015. Mr Donaldson is president of James Donaldson & Sons Limited, an independent Fife based timber merchants, having previously been chair since 1985. Formerly the chair 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.

Professor Sethu Vijayakumar

Professor Vijayakumar was appointed Director in 2018. He is the Professor of Robotics at the University of Edinburgh and the (Founding) 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.

Claire EC Finn

Claire Finn was appointed a Director in 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 currently the Chair of UBS Asset Management Life Limited, and 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 Chair of the Audit Committee. Jamie is a chartered 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 a director of Kintail Trustees Limited, the corporate trustee of The Robertson Trust charity.

Abigail E Rotheroe

Abigail was appointed to the Board in 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. In her most recent role as Investment Director of Snowball Impact Management which she left in August 2022, she developed their leading approach to impact measurement and responsible investing. She is also a non-executive director of HydrogenOne Capital Growth plc and Templeton Emerging Markets Investment Trust plc.

The Directors listed above were in office during the year to 31 January 2023 and remained in office as at 21 March 2023.

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 £227 billion at 17 March 2023. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 51 partners and a staff of around 1,880.

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 2023.

Corporate Governance

The Corporate Governance Report is set out on pages 35 to 38 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 2023 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 2022, 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 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 29 and 30.

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. Mr MN Donaldson will retire from the Board at the conclusion of the Annual General Meeting in May 2023.

Following formal 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 2023 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 in line with the Objective and Investment Policy.

Share Capital

Capital Structure

The Company's capital structure (excluding treasury shares) consists of 314,152,485 ordinary shares of 2 pence each at 31 January 2023 (2022 – 314,252,485 ordinary shares of 2 pence each). At 31 January 2023, 100,000 shares were held in treasury (2022 – nil). 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 67.

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 2023. 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 2023.

Name	No. of ordinary 2p shares held at 31 January 2023	% of issue
Rathbone Investment Management Ltd	15,715,107	5.0
1607 Capital Partners LLC	15,704,513	5.0

There have been no further notifications of major interests in the Company's shares intimated up to 21 March 2023.

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 £2,094,807.06 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 £628,504.96 representing 10% of the issued share capital of the Company as at 11 March 2022. Such authorities will expire at the conclusion of the Annual General Meeting to be held on 17 May 2023.

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 £2,094,140.47. This amount represents 33.33% of the nominal value of the issued share capital excluding treasury shares at 17 March 2023 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 £628,304.97 (representing 10% of the issued ordinary share capital of the Company excluding treasury shares as at 17 March 2023). The authorities sought in Resolutions 11 and 12 will continue until the conclusion of the Annual General Meeting to be held in 2024 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 2023 the Company issued no shares. Between 1 February and 17 March 2023 the Company issued no further shares.

100,000 shares were held in treasury as at 17 March 2023.

Market Purchases of Own Shares by the Company

At the last Annual General Meeting, the Company was granted authority to purchase up to 47,106,447 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 2024.

100,000 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.

Adoption of New Articles of Association

Resolution 15, which will be proposed as a special resolution, seeks shareholder approval to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Existing Articles'). The proposed amendments being introduced in the New Articles primarily relate to changes in law and regulation and developments in market practice since the Existing Articles were adopted, and principally include:

- provisions enabling the Company to hold wholly virtual shareholder meetings using electronic means (as well as physical shareholder meetings or hybrid meetings);
- amendments in response to the requirements of the Alternative Investment Fund Managers Directive (2011/61/EU) (as adopted into UK law by virtue of the European Union (Withdrawal) Act 2018);
- amendments in response to the introduction of international tax regimes (notably FATCA and the Common Reporting Standard) requiring the exchange of information with tax authorities;
- simplifying the procedure in respect of untraced shareholders by removing the requirement for the Company to publish newspaper advertisements;
- provisions to enable the Company to hold shareholder meetings across two (or more) physical locations in the event that all shareholders cannot be accommodated in a single physical location on the day of a meeting;
- expanding the circumstances under which the chair of a shareholder meeting may adjourn the meeting without the consent of the meeting, including where the health, safety or wellbeing of those entitled to attend would be put at risk by their attendance at the meeting;
- provisions which require all Directors to retire at each AGM (and, if they wish, to offer themselves for re-election) in line with the recommended corporate governance regime in the UK, and provisions dealing with the potential situation whereby no Directors are re-elected at an AGM;
- a provision which would enable a Director to be removed from office if all of the other Directors so resolve;
- increasing the cap on the aggregate of all fees which may be paid to Directors to £250,000 per annum; and
- updating the payment provisions for dividends to include the use of any approved funds transfer system and to enable the Company to specify which payment method(s) will be used by the Company in respect of any dividend.

A summary of the principal amendments being introduced in the New Articles is set out in the appendix to the AGM Notice (see pages 69 and 70). Other amendments, which are of a minor, technical or clarifying nature, have not been summarised in the appendix.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for hybrid or virtual-only meetings to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

The full terms of the proposed amendments to the Company's Articles of Association are available on the national storage mechanism (data.fca.org.uk/#/nsm/nationalstoragemechanism), at the offices of Dickson Minto W.S., Level 13, Broadgate Tower, 20 Primrose Street, London EC2A 2EW between the hours of 9.00am and 5.00pm (Saturdays, Sundays and public holidays excepted), and on the Company's website, shinnippon.co.uk from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

Proposed Changes to the Company's Objective and Policy

As noted on pages 7 and 8 the Company is proposing to amend its investment objective and policy to make a number of, principally, stylistic changes which will also help to clarify some potential unintended ambiguities in the current wording and to align investment horizons with the Managers'. The Board is taking a prudent approach to these changes and is treating them, in aggregate, as a material change. Therefore, in accordance with the Listing Rules, the proposed amendments are subject to shareholder approval in Resolution 14 in the Notice of Annual General Meeting.

Resolutions

Resolution 14 and 15 comprise the special business to be proposed at the Annual General Meeting and all the remaining resolutions comprise the ordinary business.

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 (see note above).

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

A formal tender process was carried out by the Company's Audit Committee. Following this process, the Board has approved the proposed appointment of Johnston Carmichael LLP as Auditor for the financial year commencing 1 February 2023. Johnston Carmichael LLP has expressed its willingness to be appointed Auditor to the Company. The appointment is subject to shareholder approval at the Annual General Meeting to be held on 17 May 2023 and resolutions concerning Johnston Carmichael LLP's appointment and remuneration will be submitted to the Annual General Meeting. The Board extends its appreciation to KPMG LLP for its services as Auditor.

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 21 March 2023.

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 167,500 shares, representing approximately 0.05% of the current issued share capital of the Company.

On behalf of the Board
M Neil Donaldson
Chair
21 March 2023

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 39). 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

The Board comprises six Directors, all of whom are non-executive. The Board appoints the Managers and Secretaries and approves the terms of the investment management agreement. It has a number of matters reserved for its approval including strategy, investment policy, currency hedging, gearing, share buy back and issuance policy, treasury matters, dividend and corporate governance policy. A separate meeting devoted to strategy is held each year. The Board also reviews the financial statements, investment transactions, revenue budgets and investment performance. Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities. The Chair is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. Following the retirement of Mr MN Donaldson at the conclusion of the Annual General Meeting, Mr J Skinner will become the Chair. Mr KJ Troup will replace Mr J Skinner as the Audit Committee Chair. 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. Professor S Vijayakumar is 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 29 and 30.

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.

The Board is not controlled by long serving Directors.

Policy on Tenure of the Chair

The Board recognises the importance of an independent and effective chair. In the absence of exceptional circumstances, the Chair will retire at the Annual General Meeting following the ninth anniversary of his appointment. Mr MN Donaldson will retire from the Board at the conclusion of the Annual General Meeting in May 2023.

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	4	2	1
AE Rotheroe	4	2	1
MR Somerset Webb†	1	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.

† MR Somerset Webb retired from the Board at the conclusion of the Annual General Meeting held in May 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. Ms AE Rotheroe was appointed the Chair of the Nomination Committee with effect from 1 February 2023. 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.

Board Diversity

Diversity Policy

Appointments to the Board are made on merit and based on objective criteria, including the promotion of diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths. The priority in succession planning and appointing new Directors is to identify candidates with the best range of skills and experience to complement those of the existing Directors, with a view to ensuring that the Board remains well placed to help the Company achieve its investment and governance objectives.

The following disclosures are provided in respect of the FCA Listing Rules targets that: i) 40% of a board should be women; ii) at least one senior role should be held by a woman; and iii) at least one board member should be from a non-white ethnic background, as defined by the Office of National Statistics (ONS) criteria.

The Company has chosen to disclose compliance with the targets outlined in the FCA Listing Rules ahead of the deadline which will come into effect for the financial year ending 31 January 2024. The breakdown of gender diversity and ethnic background on the Board is shown below.

	Number of Board Members	Percentage of the Board
Men	4	66.7%
Women	2	33.3%

On the retirement of Mr MN Donaldson in May 2023 the Board will be 60% male and 40% female, meeting the FCA gender diversity target.

	Number of Board Members	Percentage of the Board
White British or Other White (including minority white groups)	5	83.3%
Asian/Asian British	1	16.7%

The Board meets the FCA Listing Rules target relating to one Director being from an ethnic minority background as well as the target for a woman holding a senior role on the Board (Ms AE Rotheroe is the Chair of the Nomination Committee). As an externally managed investment company with no chief executive officer (CEO) or chief financial officer (CFO), the Board considers the Chair of the Audit Committee and Nomination Committee to be senior roles in addition to the roles of Senior Independent Director and Board Chair identified as such by the FCA.

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

Board Composition

The Committee reviewed the composition of the Board during the year in consideration of succession planning and developing a diverse pipeline. Mr MN Donaldson will stand down from the Board at the Annual General Meeting in May 2023.

Performance Evaluation

An appraisal of the Chair, each Director and a performance evaluation and review of the Board as a whole and its Committees was carried out on 11 November 2022. The Chair and each Director completed a performance evaluation questionnaire. Each Director had an interview with the Chair and the Directors reviewed the Chair's performance.

The appraisals and evaluations considered amongst other criteria the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Boards and its Committees. Following this process it was concluded that there was a diverse range of skills within the Board and that the performance of each Director, the Chair, the Board and its Committees continues to be effective and each Director remains committed to the Company.

A review of the Chair's and other Directors' commitments was carried out on 11 November 2022 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 41 to 43.

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 39 and 40.

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 75), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with remedial measures being taken.

Going Concern

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

The Company's principal 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 over recent months due to macroeconomic and geopolitical concerns including rising interest rates, inflation and the Russia-Ukraine conflict. The Board has reviewed the results of specific leverage and liquidity stress testing, but does not believe the Company's going concern status is affected. Stress tests are applied to the portfolio to identify the commitment leverage of the Company in two scenarios: (i) gross assets reduce by 25%; and (ii) gross assets reduce by 50%. Stress tests are also performed to determine the impact on revenue earnings per share as a result of an increase and decrease in projected portfolio income of 25%.

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. Subsequent to the year end on 3 March 2023, a new secured ¥2,000 million three year revolving credit facility 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 59. As at 31 January 2023, the Company had a net current liability of £36.2 million primarily as a result of the ¥7,000 million three year loan with ING Bank N.V., London Branch, which is due to mature on 27 November 2023. 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.

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 set out in the Viability Statement on page 10, that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's Investment Manager meets regularly with shareholders and their representatives and reports to the Board. The Company broker and the Managers' sales team also have regular contact with current and potential shareholders. The Chair 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 22 and 23 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 74.

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 73% 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 will 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
Chair
21 March 2023

Audit Committee Report

The Audit Committee consists of all Directors with the exception of the Chair, 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, Chair of the Committee, is a Chartered Accountant.

Following the retirement of Mr MN Donaldson on 17 May 2023, Mr J Skinner will be Chair of the Board and Mr KJ Troup will be Chair of the Audit Committee. Mr KJ Troup 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 95.8% of total assets.

Quoted Investments

The majority of the investments are in quoted securities and market prices are readily available from independent external pricing sources. The Committee reviewed Baillie Gifford's Report on Internal Controls which details the controls in place regarding the recording and pricing of investments.

The Managers agreed the prices of all the quoted investments at 31 January 2023 to external price sources and the holdings were agreed to confirmations from the Company's Custodian.

Unlisted (Private Company) Investments

The Committee reviewed the Managers' valuation approach for investments in unlisted (private) companies (as described on page 55) and approved the valuations of the unlisted investments following a detailed review of the valuation of each investment and relevant challenge where appropriate. The Managers agreed the holdings in certificated form to confirmations from the Company's custodian and holdings of uncertificated unlisted investments were agreed to confirmations from the relevant investee companies.

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.

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 36 and 37. 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 2023 the proposed audit fee was £55,000 and there were no non-audit fees for the year to 31 January 2023 (2022 – 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 director/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 Fensom, the current audit director has held this role since 2022.

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 director 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

The Committee acknowledges the rise of external audit fees across the industry. The increase in fees is being driven by a number of factors including an ever-increasing regulatory burden, new auditing standards, the significant volume of work required to deliver a high quality audit, cost inflation and a challenging labour market.

The Audit Committee undertook a formal audit tender process for external audit services for the financial year to 31 January 2024 onwards (a tender process had previously been conducted during the year to 31 January 2017). In January 2023, invitations to tender were sent out to a short-list of audit firms, including two from outside the 'Big 4', to tender. KPMG LLP, the current auditor, was included in that list and invited to tender.

The invitations to tender included selection criteria including industry experience, credentials and relevant experience of the proposed audit team, audit approach, quality assurance, independence and governance and fees. The invitations included the tender timetable and information required for the firm's proposal documents and presentations.

Three of the firms submitted written tender documents which the Committee reviewed. The three firms then presented at an additional Audit Committee meeting. Following the presentations the Committee proposed two firms to the Board for consideration with a recommendation that Johnston Carmichael LLP be appointed auditor. The Board subsequently agreed to appoint Johnston Carmichael LLP as external auditor, effective for the financial year ending 31 January 2024. A resolution is being put to shareholders at the Annual General Meeting being held on 17 May 2023 (see Notice of Meeting on page 66).

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 44 to 49.

On behalf of the Board
Jamie Skinner
Audit Committee Chair
21 March 2023

Directors' Remuneration Report

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

Statement by the Chair

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. No changes are proposed to the policy and an ordinary resolution for the approval of the Remuneration Policy will be put to the members at the forthcoming Annual General Meeting on 17 May 2023.

The Board reviewed the level of fees during the year and it was agreed that from 1 February 2022 the fee for the Chair would increase to £42,000, the Directors' fees would increase to £28,000 and the additional fee for the Chair of the Audit Committee would be increased to £4,000. From 1 February 2023 it was agreed that the additional fee for the Chair of the Nomination Committee would be £1,000. 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.

As part of the wider refreshment of the Articles of Association, the Board is seeking shareholders' approval at the forthcoming Annual General Meeting to increase the aggregate annual limit, which has not changed since 2018, to £250,000 to accommodate the possibility of a temporary increase in the number of Directors as a result of Board refreshment and with a view to creating suitable headroom for future increases in fee levels. Your attention is drawn to Resolution 15 in the Notice of Annual General Meeting on page 67.

The basic and additional fees payable to Directors in respect of the year ended 31 January 2023 and the expected fees payable in respect of the year ending 31 January 2024 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 2024 £	Fees as at 31 Jan 2023 £
Chair's fee	42,000	42,000
Non-executive Director fee	28,000	28,000
Additional fee for Chair of the Audit Committee	4,000	4,000
Additional fee for Chair of the Nomination Committee	1,000	–
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)	250,000	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 45.

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	2023 Fees £	2023 Taxable benefits* £	2023 Total £	2022 Fees £	2022 Taxable benefits* £	2022 Total £
MN Donaldson (Chair)	42,000	–	42,000	37,500	–	37,500
CEC Finn (appointed 1 November 2021)	28,000	1,681	29,681	6,250	–	6,250
AE Rotheroe (appointed 1 March 2022)	25,667	961	26,628	–	–	–
J Skinner	32,000	–	32,000	28,500	–	28,500
MR Somerset Webb (retired 12 May 2022)	7,969	–	7,969	25,000	–	25,000
KJ Troup	28,000	–	28,000	25,000	–	25,000
S Vijayakumar	28,000	–	28,000	25,000	–	25,000
	191,636	**2,642**	**194,278**	**147,250**	**–**	**147,250**

* 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 2022 to 2023	% change from 2021 to 2022	% change from 2020 to 2021
MN Donaldson (Chair)	12.0	–	8.7
CEC Finn (appointed 1 November 2021)	374.9*	n/a*	–
AE Rotheroe (appointed 1 March 2022)	n/a*	–	–
J Skinner	12.3	(0.1)	14.5
MR Somerset Webb (retired 12 May 2022)	(68.1)*	–	6.1
KJ Troup (appointed 1 March 2020)	12.0	9.1	n/a*
S Vijayakumar	12.0	–	8.7

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

Directors' Interests (audited)

Name	Nature of interest	Ordinary 2p shares held at 31 Jan 2023	Ordinary 2p shares held at 31 Jan 2022
MN Donaldson	Beneficial	100,000	100,000
CEC Finn	Beneficial	10,000	–
AE Rotheroe	Beneficial	10,000	–
J Skinner	Beneficial	17,500	17,500
MR Somerset Webb	Beneficial	n/a	17,785
KJ Troup	Beneficial	30,000	25,000
S Vijayakumar	–	–	–

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. MR Somerset Webb retired from the Board at the AGM on 12 May 2022. AE Rotheroe was appointed to the Board on 1 March 2022. There have been no other changes in the Directors' interests up to 21 March 2023.

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, 99.4% were in favour, 0.5% were against and votes withheld were 0.1%. 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

The table below shows the actual expenditure during the year in relation to Directors' remuneration and distributions to shareholders.

	2023 £'000	2022 £'000	Change %
Directors' remuneration	194	145	31.9
Share buy-backs	154	–	n/a

Directors' Service Details

Name	Date of appointment	Due date for re-election
MN Donaldson*	1 August 2014	–
S Vijayakumar	1 September 2018	AGM in 2023
J Skinner	7 December 2018	AGM in 2023
KJ Troup	1 March 2020	AGM in 2023
CEC Finn	1 November 2021	AGM in 2023
AE Rotheroe	1 March 2022	AGM in 2023

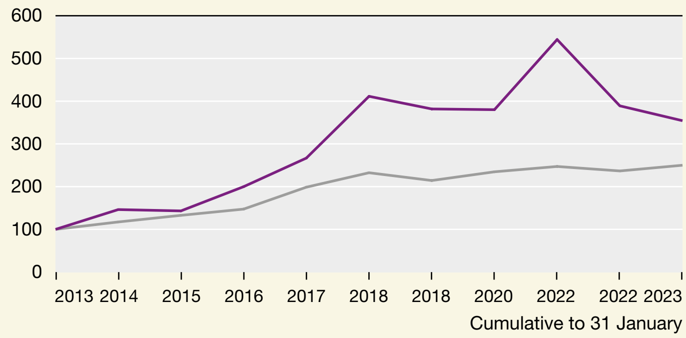
* MN Donaldson will retire from the Board at the AGM on 17 May 2023.

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 2013)



Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 75.

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 76 and 77.

† The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms). See disclaimer on page 75.

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 41 to 43 was approved by the Board of Directors and signed on its behalf on 21 March 2023.

M Neil Donaldson
Chair

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
Chair
21 March 2023

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.

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 2023 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 2023 and of its loss 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 six financial years ended 31 January 2023. 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		£6.35m (2022:£6.46m) 1% (2022: 1%) of Total Assets
Key audit matters		**vs 2022**
Recurring risks	Carrying amount of quoted investments	◀▶

2. Key audit matters: 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 2022) 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 (£607.2 million; 2022: £594.2 million) *Refer to page 39 (Audit Committee Report), page 54 (accounting policy) and note 8 on page 57 (financial disclosures).*	**Low risk, high value:** The Company's portfolio of quoted investments makes up 95.5% (2022: 91.9%) 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 100% of the level 1 quoted investments in the portfolio to externally quoted prices; and; — **Enquiry of custodians:** Agreeing 100% of the level 1 quoted investment holdings in the portfolio to independently received third party confirmations from investment custodians; **Our results** — We found the carrying amount of the level 1 quoted investments to be acceptable (2022: acceptable).

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

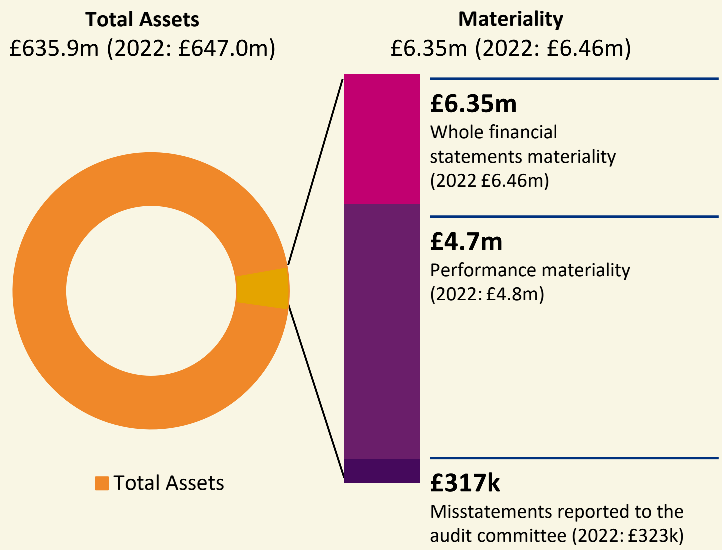
Materiality for the financial statements as a whole was set at £6.35m (2022: £6.46m), determined with reference to a benchmark of total assets, of which it represents 1% (2022: 1%).

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% (202: 75%) of materiality for the financial statements as a whole, which equates to £4.7m (2022: £4.8m). 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 £317k (2022: £323k), 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 predominately substantive as we did not rely on the Company's internal control over financial reporting.



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 their 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 their 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 projected cash and liquid investment position.

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, including the identified risks and related sensitivities.

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 37 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 / Investment Manager and the Company's investment custodian ; 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 and the risk of bias in accounting estimates such as valuation of the unquoted investments. 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. Based on these procedures, we selected journal entries for testing, examining appropriate supporting documentation for the selected entries, which included some manual journals falling below the Administrator's journal approver threshold and material post-closing journal entries.

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 related to 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 and the Investment Manager/ 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 fraud

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 10 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 Emerging and Principal 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 10 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.

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.

KPMG

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 these respects.

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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 44, 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.

Gary Fensom (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG
21 March 2023

Income Statement

For the year ended 31 January

	Notes	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Losses on investments	8	–	(12,749)	**(12,749)**	–	(182,288)	**(182,288)**
Currency gains	13	–	2,214	**2,214**	–	4,612	**4,612**
Income	2	9,617	–	**9,617**	7,436	–	**7,436**
Investment management fee	3	(3,154)	–	**(3,154)**	(4,048)	–	**(4,048)**
Other administrative expenses	4	(679)	–	**(679)**	(684)	–	**(684)**
Net return before finance costs and taxation		5,784	(10,535)	**(4,751)**	2,704	(177,676)	**(174,972)**
Finance costs of borrowings	5	(1,332)	–	**(1,332)**	(1,064)	–	**(1,064)**
Net return before taxation		4,452	(10,535)	**(6,083)**	1,640	(177,676)	**(176,036)**
Tax on ordinary activities	6	(962)	–	**(962)**	(744)	–	**(744)**
Net return after taxation		**3,490**	**(10,535)**	**(7,045)**	**896**	**(177,676)**	**(176,780)**
Net return per ordinary share	7	**1.11p**	**(3.35p)**	**(2.24p)**	**0.29p**	**(56.95p)**	**(56.66p)**

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 54 to 65 are an integral part of the Financial Statements.

Balance Sheet

As at 31 January

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Fixed assets					
Investments held at fair value through profit or loss	8		625,922		610,857
Current assets					
Debtors	9	3,047		2,604	
Cash and cash equivalents	18	6,946		33,505	
		9,993		36,109	
Creditors					
Amounts falling due within one year	10	(46,154)		(3,212)	
Net current (liabilities)/assets			(36,161)		32,897
Total assets less current liabilities			589,761		643,754
Creditors					
Amounts falling due after more than one year	11		(44,308)		(91,102)
Net assets			**545,453**		**552,652**
Capital and reserves					
Share capital	12		6,285		6,285
Share premium account	13		260,270		260,270
Capital redemption reserve	13		21,521		21,521
Capital reserve	13		257,719		268,408
Revenue reserve	13		(342)		(3,832)
Shareholders' funds			**545,453**		**552,652**
Net asset value per ordinary share	14		**173.6p**		**175.9p**

The Financial Statements of Baillie Gifford Shin Nippon PLC (Company Registration Number SC093345) on pages 50 to 65 were approved and authorised for issue by the Board and were signed on its behalf on 21 March 2023.

M Neil Donaldson
Chair

The accompanying notes on pages 54 to 65 are an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 31 January 2023

	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 2022		6,285	260,270	21,521	268,408	(3,832)	**552,652**
Ordinary shares bought back into treasury	13	–	–	–	(154)	–	**(154)**
Net return on ordinary activities after taxation	13	–	–	–	(10,535)	3,490	**(7,045)**
Shareholders' funds at 31 January 2023		**6,285**	**260,270**	**21,521**	**257,719**	**(342)**	**545,453**

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**

The accompanying notes on pages 54 to 65 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 January

	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Cash flows from operating activities				
Net return on ordinary activities before taxation	(6,083)		(176,036)	
Net losses on investments	12,749		182,288	
Currency gains	(2,214)		(4,612)	
Finance costs of borrowings	1,332		1,064	
Overseas withholding tax	(892)		(677)	
Increase in debtors, accrued income and prepaid expenses	(681)		(591)	
Increase/(decrease) in creditors	27		(220)	
Cash inflow from operations		4,238		1,216
Interest paid		(1,292)		(982)
Net cash inflow from operating activities		2,946		234
Cash flows from investing activities				
Acquisitions of investments	(137,003)		(132,308)	
Disposals of investments	108,576		90,619	
Net cash outflow from investing activities		(28,427)		(41,689)
Shares issued	–		31,995	
Ordinary shares bought back into treasury and stamp duty thereon	(154)		–	
Bank loans repaid	–		–	
Bank loans drawn down	–		32,667	
Net cash (outflow)/inflow from financing activities		(154)		64,662
(Decrease)/increase in cash and cash equivalents		(25,635)		23,207
Exchange movements		(924)		(140)
Cash and cash equivalents at 1 February		33,505		10,438
Cash and cash equivalents at 31 January*		**6,946**		**33,505**

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

The accompanying notes on pages 54 to 65 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 2023 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 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. Subsequent to the year end, on 3 March 2023, a new ¥2,000 million 3 year revolving credit facility 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 59. As at 31 January 2023, the Company had a net current liability of £36.2 million primarily as a result of the ¥7,000 million three year loan with ING Bank N.V., London Branch, which is due to mature on 27 November 2023.

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.

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, as set out in the Viability Statement on page 10, 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 July 2022 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 57 and 58.

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 significance of this estimate has increased over the year with the increase in private company investments from 2.6% of total assets to 3.0% (see note 8). 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 quoted 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).

Fair value estimates are cross-checked to alternative estimation methods where possible to improve the robustness of the estimates. The risk of an over or under estimation of fair values is greater when methodologies are applied using more subjective inputs.

2 Income

	2023 £'000	2022 £'000
Income from investments		
Listed overseas dividends	9,617	7,436
Total income	**9,617**	**7,436**
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	9,617	7,436
Total income	**9,617**	**7,436**

3 Investment Management Fee – all charged to revenue

	2023 £'000	2022 £'000
Investment management fee	**3,154**	**4,048**

Details of the Investment Management Agreement are set out on page 31. 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

	2023 £'000	2022 £'000
General administrative expenses	429	502
Directors' fees (see Directors' Remuneration Report on page 42)	192	147
Auditor's remuneration (statutory audit of the Company's Financial Statements)*	58	35
	679	**684**

* The audit fee for the year to 31 January 2023 was £55,000. Audit fees of £3,000 related to the year to 31 January 2022 audit.

5 Finance Costs of Borrowings

	2023 £'000	2022 £'000
Interest on bank loans	**1,332**	**1,064**

The bank loan interest disclosed includes £37,000 paid (2022 – £48,000) in respect of yen deposits held at the custodian bank.

6 Tax on Ordinary Activities

	2023 £'000	2022 £'000
Analysis of charge in year		
Overseas taxation (charged to revenue)	**962**	**744**
Factors affecting tax charge for year		
The tax assessed for the year is higher (2022 – higher) than the standard rate of corporation tax in the UK of 19% (2022 – 19%)		
The differences are explained below:		
Net loss on ordinary activities before taxation	(6,083)	(176,036)
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2022 – 19%)	(1,156)	(33,447)
Effects of:		
Capital returns not taxable	2,002	33,759
Income not taxable	(1,827)	(1,413)
Overseas withholding tax	962	744
Taxable losses in year not utilised	981	1,101
Total tax charge for the year	**962**	**744**

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

At 31 January 2023 the Company had a potential deferred tax asset of £11,118,000 (2022 – £9,811,000) 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% (2022 – 25%). 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

	2023 Revenue	2023 Capital	2023 Total	2022 Revenue	2022 Capital	2022 Total
Net loss on ordinary activities after taxation	**1.11p**	**(3.35p)**	**(2.24p)**	**0.29p**	**(56.95p)**	**(56.66p)**

Revenue return per ordinary share is based on the net revenue gain on ordinary activities after taxation of £3,490,000 (2022 – gain of £896,000) and on 314,222,074 ordinary shares (2022 – 311,992,773) 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 £10,535,000 (2022 – net capital loss of £177,676,000) and on 314,222,074 ordinary shares (2022 – 311,992,773) 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 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Quoted equities	607,176	–	–	**607,176**
Unlisted securities	–	–	18,746	**18,746**
Total financial asset investments	**607,176**	**–**	**18,746**	**625,922**

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

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 54 and 55.

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.

	Quoted securities £'000	Unlisted securities † £'000	Total £'000
Cost of investments held at 1 February 2022	541,710	14,086	555,796
Investment holding gains at 1 February 2022	52,531	2,530	55,061
Value of investments held at 1 February 2022	**594,241**	**16,616**	**610,857**
Analysis of transactions during the year:			
Purchases at cost	130,166	6,055	136,221
Sales proceeds received	(108,407)	–	(108,407)
Losses on investments	(8,824)	(3,925)	(12,749)
Fair value of investments held at 31 January 2023	**607,176**	**18,746**	**625,922**
Cost of investments held at 31 January 2023	545,085	20,141	565,226
Investment holding gains at 31 January 2023	62,091	(1,395)	60,696
Fair value of investments held at 31 January 2023	**607,176**	**18,746**	**625,922**

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

The company received £108,407,000 (2022 – £91,154,000) from investments sold in the year. The book cost of these investments when they were purchased was £126,791,000 (2022 – £68,662,000). 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 £55,000 (2022 – £53,000) and £38,000 (2022 – £47,000) respectively.

Of the loss on sales during the year of £18,384,000 (2022 – gains of £22,492,000), a net loss of £6,101,000 (2022 – net gain of £30,616,000) was included in the investment holding gains at the previous year end.

	2023 £'000	2022 £'000
Net losses on investments		
(Losses)/gains on sales	(18,384)	22,492
Changes in investment holding gains	5,635	(204,780)
	(12,749)	**(182,288)**

The loss on sales of £18,384,000 and increase in investment holding gains of £5,635,000 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

	2023 £'000	2022 £'000
Accrued income	2,566	1,941
Sales for subsequent settlement	366	535
Other debtors and prepayments	115	128
	3,047	**2,604**

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

10 Creditors – amounts falling due within one year

	2023 £'000	2022 £'000
Purchases for subsequent settlement	1,230	2,012
Bank loans	43,705	–
Other creditors and accruals	1,219	1,200
	46,154	**3,212**

Included in creditors is £825,000 (2022 – £835,000) 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

	2023 £'000	2022 £'000
Bank loans	**44,308**	**91,102**

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 £49,000 (2022 – £36,000).

Borrowing facilities

At 31 January 2023

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 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.

Subsequent to the year end, on 3 March 2023, the Company drew down a new secured ¥2,000 million 3 year revolving credit facility from ING Bank N.V.

The covenants during the year relating to the ING Bank N.V. loans 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

	2023 Number	2023 £'000	2022 Number	2022 £'000
Allotted and fully paid ordinary shares of 2p each	314,152,485	6,283	314,252,485	6,285
Treasury shares of 2p each	100,000	2	–	–
	314,252,345	**6,285**	**314,252,485**	**6,285**

At 31 January 2023 the Company had authority to buy back 47,006,447 shares. 100,000 shares were bought back during the year (2022 – nil). Share buy-backs are funded from the capital reserve.

During the year the Company issued no shares on a non pre-emptive basis (2022 – 12,960,000 shares for net proceeds of £31,380,000).

Between 1 February and 17 March 2023 the Company did not buy back or issue any 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 2022	6,285	260,270	21,521	268,408	(3,832)	**552,652**
Shares purchased for treasury	–	–	–	(154)	–	**(154)**
Net loss on disposal of investments	–	–	–	(18,384)	–	**(18,384)**
Changes in investment holding gains	–	–	–	5,635	–	**5,635**
Exchange differences on bank loans	–	–	–	3,138	–	**3,138**
Exchange differences on settlement of investment transactions	–	–	–	(749)	–	**(749)**
Other exchange differences	–	–	–	(175)	–	**(175)**
Net revenue return for the year	–	–	–	–	3,490	**3,490**
At 31 January 2023	**6,285**	**260,270**	**21,521**	**257,719**	**(342)**	**545,453**

The capital reserve includes investment holding gains of £60,696,000 (2022 – gains of £55,061,000) 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:

	2023	2022
Net asset value/shareholders' funds†	£545,453,000	£552,652,000
Number of ordinary shares in issue at year end*	314,152,485	314,252,485
Shareholders' funds per ordinary share/net asset value per ordinary share (after deducting borrowings at book value)†	173.6p	175.9p

† See Glossary of Terms and Alternative Performance Measures on pages 76 and 77.

* Excluding shares held in treasury.

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 2022 £'000	Cash Flows £'000	Exchange Movement £'000	Other non-cash changes £'000	31 January 2023 £'000
Cash and cash equivalents	33,505	(25,635)	(924)	–	6,946
Loans due within one year	–	–	–	(43,705)	(43,705)
Loans due in more than one year	(91,102)	–	3,138	43,656	(44,308)
	(57,597)	**(25,635)**	**2,214**	**(49)**	**(81,067)**

17 Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 42. 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 2023 are detailed in the Directors' Remuneration Report on page 42.

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 quoted 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 2023	Investments £'000	Cash and deposits £'000	Bank loans £'000	Other debtors and creditors £'000	Net exposure £'000
Yen	625,922	6,886	(88,013)	1,463	**546,258**
Total exposure to currency risk	625,922	6,886	(88,013)	1,463	**546,258**
Sterling	–	60	–	(865)	**(805)**
	625,922	**6,946**	**(88,013)**	**598**	**545,453**

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**

Currency Risk Sensitivity

At 31 January 2023, 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 £54,626,000 (2022 – £55,342,000). 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 2023 is shown below. There was no significant change to the interest rate risk profile during the year.

Financial Assets

	2023 Fair value £'000	2023 Weighted average interest rate	2022 Fair value £'000	2022 Weighted average interest rate
Cash:				
Yen	6,886	(0.40%)	33,445	(0.39%)
Sterling	60	nil	60	nil
	6,946		**33,505**	

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:

	2023 Book value £'000	2023 Weighted average interest rate	2023 Weighted average period until maturity	2022 Book value £'000	2022 Weighted average interest rate	2022 Weighted average period until maturity
Bank loans:						
Yen denominated – fixed rate	**88,013**	**1.4%**	**16 months**	**91,102**	**1.4%**	**28 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 25 and 26. In addition, various analyses of the portfolio by industrial sector, exchange listing, holding period and investment theme are shown on pages 24 and 27.

Quoted Securities

111.3% of the Company's net assets are invested in Japanese quoted equities (2022 – 107.5%). A 10% increase in quoted equity valuations at 31 January 2023 would have increased total net assets and net return on ordinary activities after taxation by £60,718,000 (2022 – £59,424,000). 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

3.4% of the Company's net assets are invested in Japanese unlisted securities (2022 – 3.0%). A 20% increase in unlisted security valuations at 31 January 2023 would have increased total net assets and net return on ordinary activities after taxation by £3,749,000 (2022 – £3,323,000). 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:

	2023 £'000	2022 £'000
In less than one year:		
– repayment of loan	43,723	–
– accumulated interest	1,178	1,069
In more than one year but not more than five years:		
– repayment of loan	44,348	91,208
– accumulated interest	541	1,781
	89,790	**94,058**

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 2023 and 2022, 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:

	2023 £'000	2022 £'000
Cash and deposits	6,946	33,505
Debtors	2,941	2,498
	9,887	**36,003**

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.

	2023 Book value £'000	2023 Fair* value £'000	2022 Book value £'000	2022 Fair* value £'000
Fixed rate yen bank loans	**88,013**	**87,725**	**91,102**	**91,174**

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

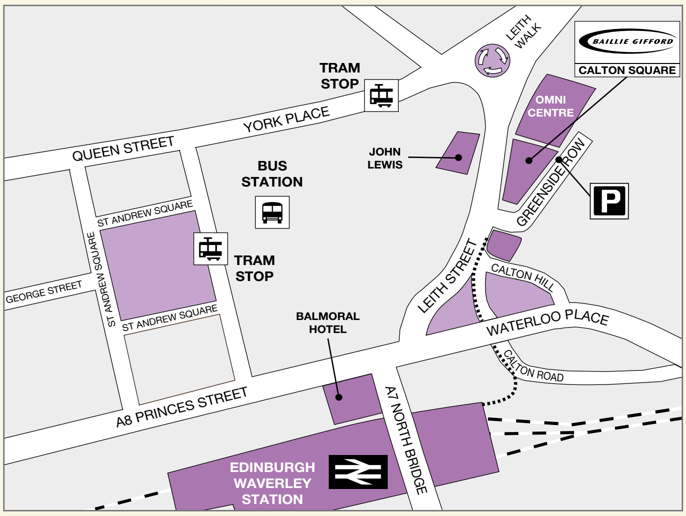
Capital Management

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 37 and 38 and pages 8 to 10, respectively. The Company has the ability to buy back and issue shares (see pages 32 and 33) 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.

19 Transactions with the Investment Manager

The management fee due to Baillie Gifford and Co Limited is set out in note 3 on page 56 and the amount accrued at 31 January 2023 is set out in note 10 on page 59. Details of the Investment Management Agreement are set out on page 31.

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 Wednesday, 17 May 2023 at 9.15am.

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 eighth 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 Wednesday, 17 May 2023 at 9.15am for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 to 11 and 14 will be proposed as ordinary resolutions and Resolutions 12, 13 and 15 will be proposed as special resolutions.

Resolutions 14 and 15 comprise the special business to be proposed and all the remaining resolutions comprise the ordinary business.

1. To receive and adopt the Financial Statements of the Company for the year ended 31 January 2023 with the Reports of the Directors and of the Independent Auditor thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Annual Report on Remuneration for the year ended 31 January 2023.
4. To re-elect Ms CEC Finn as a Director of the Company.
5. To re-elect Ms AE Rotheroe as a Director of the Company.
6. To re-elect Mr J Skinner as a Director of the Company.
7. To re-elect Mr KJ Troup as a Director of the Company.
8. To re-elect Professor S Vijayakumar as a Director of the Company.
9. To appoint Johnston Carmichael 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 £2,094,140.47 (representing 33.33% of the nominal value of the issued share capital excluding treasury shares as at 17 March 2023), 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 12 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 £628,304.97 being approximately 10% of the nominal value of the issued share capital excluding treasury shares of the Company as at 17 March 2023.

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 47,091,457, 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.
14. That the revised Objective and Policy set out on pages 7 and 8 of the Annual Report and Financial Statements of the Company for the year ended 31 January 2023, a copy of which has been produced to the meeting and signed by the Chair for the purpose of identification, be and is hereby adopted as the Objective and Policy of the Company, to the exclusion of all previous investment policies of the Company.
15. That the Articles of Association produced to the meeting and signed by the Chair of the meeting for the purposes of identification be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.

By order of the Board
Baillie Gifford & Co Limited
Managers and Secretaries
11 April 2023

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 17 March 2023 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 314,152,485 ordinary shares excluding treasury shares, carrying one vote each. Therefore, the total voting rights in the Company as at 17 March 2023 were 314,152,485 votes.
15. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chair 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.
17. The full terms of the proposed amendments to the Company's Articles of Association are available on the national storage mechanism (**data.fca.org.uk/#/nsm/nationalstoragemechanism**), at the offices of Dickson Minto W.S., Level 13, Broadgate Tower, 20 Primrose Street, London EC2A 2EW between the hours of 9.00am and 5.00pm (Saturdays, Sundays and public holidays excepted) and on the Company's website, **shinnippon.co.uk**, from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

Appendix to the Notice of Annual General Meeting

Summary of the Principal Amendments to the Company's Articles of Association

Set out below is a summary of the principal amendments which will be made to the Company's Existing Articles through the adoption of the New Articles if Resolution 15 to be proposed at the AGM, is approved by shareholders.

This summary is intended only to highlight the principal amendments which are likely to be of interest to shareholders. It is not intended to be comprehensive and cannot be relied upon to identify amendments or issues which may be of interest to all shareholders. This summary is not a substitute for reviewing the full terms of the New Articles which will be available for inspection on the national storage mechanism (data.fca.org.uk/#/nsm/nationalstoragemechanism), at the offices of Dickson Minto W.S., Level 13, Broadgate Tower, 20 Primrose Street, London EC2A 2EW between the hours of 9.00am and 5.00pm (Saturdays, Sundays and public holidays excepted), and on the Company's website, shinnippon.co.uk, from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

Hybrid/Virtual-Only Shareholder Meetings

The New Articles permit the Company to hold shareholder meetings on a virtual basis, whereby shareholders are not required to attend the meeting in person at a physical location but may instead attend and participate using electronic means. A shareholder meeting may be virtual-only if attendees participate only by way of electronic means, or may be held on a hybrid basis whereby some attendees attend in person at a physical location and others attend remotely using electronic means. This should make it easier for the Company's shareholders to attend shareholder meetings if the Board elects to conduct meetings using electronic means. Amendments have been made throughout the New Articles to facilitate the holding of hybrid or virtual-only shareholder meetings.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best interests of shareholders for a hybrid or virtual-only meeting to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

The Alternative Investment Fund Managers Directive (2011/61/EU) ('AIFMD') as Incorporated into UK Law by the European Union (Withdrawal) Act 2018 and the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773) (the 'AIFM Regulations')

The Board is proposing to take this opportunity to make amendments to the Existing Articles in response to the AIFM Regulations and all applicable rules and regulations implementing the AIFMD. The proposed new provisions are as follows:

(i) the Existing Articles will be amended to provide that the net asset value per share of the Company shall be calculated at least annually and be disclosed to shareholders from time to time in such manner as may be determined by the Board. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

(ii) the New Articles stipulate that the valuation of the Company's assets will be performed in accordance with prevailing accounting standards, the AIFM Rules, or such other accounting standards, bases, policies and procedures as the Board may determine from time to time. This reflects best practice and has no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

International Tax Regimes Requiring the Exchange of Information

The Board is proposing to include provisions in the New Articles to provide the Company with the ability to require shareholders to co-operate in respect of the exchange of information in order to comply with the Company's international tax reporting obligations, including, without limitation, under or in relation to FATCA, the Common Reporting Standard and the European Union's Directive on Administrative Co-operation ('Tax Reporting Requirements').

The Existing Articles are being amended to provide the Company with the ability to require shareholders to co-operate with it in ensuring that the Company is able to comply with its Tax Reporting Requirements. The Existing Articles will also be amended to provide that (i) where any member fails to supply the relevant information to the Company within the relevant time period, the member will be deemed to have forfeited their shares and (ii) the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, the Common Reporting Standard or any similar laws as such liability would be to the detriment of shareholders as a whole.

Minor Amendments

The Board is also taking the opportunity to make some additional minor or technical amendments to the Existing Articles, including:

i. simplifying the procedure in respect of untraced shareholders by removing the requirement for the Company to publish newspaper advertisements;

ii. provisions to enable the Company to hold shareholder meetings across two (or more) physical locations in the event that all shareholders cannot be accommodated in a single physical location on the day of a meeting;

iii. expanding the circumstances under which the Chair of a shareholder meeting may adjourn the meeting without the consent of the meeting, including where the health, safety or wellbeing of those entitled to attend would be put at risk by their attendance at the meeting;

iv. provisions which require all directors to retire at each AGM (and, if they wish, to offer themselves for re-election) in line with the recommended corporate governance regime in the UK, and provisions dealing with the potential situation whereby no Directors are re-elected at an AGM;

v. a provision that would enable the Board to satisfy any interim dividend wholly or partly by the distribution of assets (including paid up shares or debentures of any other company) (as a general meeting is able to direct under the Existing Articles);

vi. updating the interest provisions in accordance with market practice;

vii. a provision which would enable a Director to be removed from office if all of the other Directors so resolve;

viii. increasing the cap on the aggregate of all fees which may be paid to Directors to £250,000 per annum; and

ix. updating the payment provisions for dividends to include the use of any approved funds transfer system and to enable the Company to specify which payment method(s) will be used by the Company in respect of any dividend.

These changes generally reflect modern best practice and should assist in relieving certain administrative burdens on 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

	2023 Number of shares held	2023 %	2022 Number of shares held	2022 %
Institutions	65,041,159	20.7	46,512,443	14.8
Intermediaries	243,076,078	77.4	262,338,061	83.5
Individuals†	4,645,021	1.5	4,287,984	1.4
Marketmakers	1,390,227	0.4	820,452	0.3
	314,152,485	**100.0**	**314,252,485**	**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 private companies. 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 may have a greater risk of loss than those bought at a discount.

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.

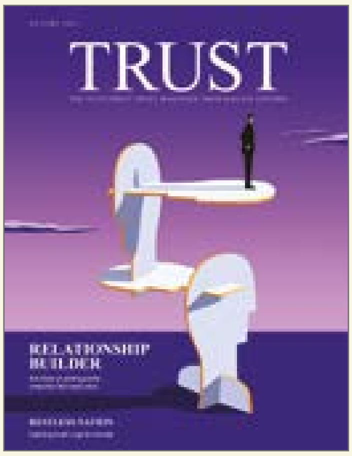
The information and opinions expressed in this document are subject to change without notice.

The staff of Baillie Gifford & Co and Baillie Gifford Shin Nippon Directors may hold shares in Baillie Gifford Shin Nippon and may buy and sell such shares from time to time.

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.

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.

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 Baillie Gifford Shin Nippon PLC 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'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 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. More detail on the Managers' 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 alternative investment funds that invest in an economic activity that contributes to an environmental objective. 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 76 and 77) at 31 January 2023 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

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information 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. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction.

The MSCI information is provided on an 'as is' basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the 'MSCI Parties') expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (msci.com).

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

This is the Company's definition of Adjusted Total Assets, being the total value of all assets held less all liabilities (other than liabilities in the form of 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 59.

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 65. 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 2023	31 January 2022
Net Asset Value per ordinary share (borrowings at book value)	173.6p	175.9p
Shareholders' funds (borrowings at book value)	£545,453,000	£552,652,000
Add: book value of borrowings	£88,013,000	£91,102,000
Less: fair value of borrowings	(£87,725,000)	(£91,174,000)
Shareholders' funds (borrowings at fair value)	£545,741,000	£552,580,000
Shares in issue at year end	314,152,485	314,252,485
Net Asset Value per ordinary share (borrowings at fair value)	173.7p	175.8p

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.

	2023 NAV (book)	2023 NAV (fair)	2022 NAV (book)	2022 NAV (fair)
Closing NAV per share	173.6p	173.7p	175.9p	175.8p
Closing share price	158.8p	158.8p	174.4p	174.4p
Discount	**(8.5%)**	**(8.6%)**	**(0.9%)**	**(0.8%)**

The average discount/premium (APM) as disclosed on page 3 is calculated by taking an average of the daily discount/premium percentage using NAV (fair) for the year to 31 January 2023.

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 50 is provided below:

	31 January 2023	31 January 2022
Investment management fee	£3,154,000	£4,048,000
Other administrative expenses	£679,000	£684,000
Total expenses (a)	**£3,833,000**	**£4,732,000**
Average daily cum-income net asset value (with debt at fair value) (b)	£521,337,000	£719,124,000
Ongoing charges (a) ÷ (b) (expressed as a percentage)	**0.74%**	**0.66%**

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.

	2023 Gearing † £'000	2023 Potential Gearing # £'000	2022 Gearing † £'000	2022 Potential Gearing # £'000
Borrowings (a)	88,013	88,013	91,102	91,102
Cash and cash equivalents (b)	6,082	–	32,028	–
Shareholders' funds (c)	545,453	545,453	552,652	552,652
	15.0%	**16.1%**	**10.7%**	**16.5%**

†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 quoted 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 quoted on a stock exchange.

KPMG LLP
Audit
15 Canada Square
London E14 5GL
United Kingdom

Tel +44 (0) 20 7311 1000
Fax +44 (0) 20 7311 3311

Private & confidential
Baillie Gifford Shin Nippon PLC
1 Greenside Row
Calton Square
Edinburgh
EH1 3AN

Our ref AR-1641

Contact Gary Fensom
Gary.Fensom@KPMG.co.uk

30 March 2023

Dear Sir/Madam,

Statement to Baillie Gifford Shin Nippon PLC (no. SC093345) on ceasing to hold office as auditors pursuant to section 519 of the Companies Act 2006

The reason connected with our ceasing to hold office is due to the proposed increase of our fees from levels charged in previous years not being acceptable to the company.

Yours faithfully,

KPMG LLP

KPMG LLP
Audit registration number: 9188307
Audit registration address:
15 Canada Square
Canary Wharf, London E14 5GL

Directors

Chair:
MN Donaldson

CEC Finn
AE Rotheroe
J Skinner
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
160 Queen Victoria Street
London
EC4V 4LA

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
Calton Square
1 Greenside Row
Edinburgh EH1 3AN
Tel: 0800 917 2112
Email:
trustenquiries@bailliegifford.com