

Annual Report and
Financial Statements

31 August 2023

The Baillie Gifford Japan Trust PLC



Managed by

Baillie Gifford

Investor Disclosure Document

The UK Alternative Investment Fund Managers Regulations require 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 japantrustplc.co.uk.

Notes

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

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

The Baillie Gifford Japan Trust PLC currently conducts its affairs, and intends to continue to conduct its affairs, so that the Company's ordinary shares can qualify to be considered as a mainstream investment product and can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the FCA in relation to non-mainstream investment products.

This document is important and requires your immediate attention.

If you reside in the UK and 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 outside the UK, you should consult an appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your ordinary shares in The Baillie Gifford Japan Trust PLC, please forward this document, together with any accompanying documents, but not your personalised Form of Proxy, 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.

Contents

Introduction	
Financial Highlights	01
Strategic Report	
Chairman's Statement	05
Managers' Review	08
Relative Contribution	11
Review of Investments	12
Distribution of Total Assets and Main Portfolio Themes	16
Investment Portfolio by Growth Category	18
List of Investments	20
One Year Summary	24
Five Year Summary	26
Ten Year Record	28
Environmental, Social and Governance Engagement	30
Proxy Voting	32
Climate Change	33
Business Review	34
Governance Report	
Directors and Management	47
Directors' Report	50
Corporate Governance Report	55
Directors' Remuneration Report	62
Audit Committee Report	66
Statement of Directors' Responsibilities	69
Financial Report	
Independent Auditor's Report	72
Income Statement	79
Balance Sheet	80
Statement of Changes in Equity	81
Cash Flow Statement	82
Notes to the Financial Statements	83
Shareholder Information	
Notice of Annual General Meeting	96
Further Shareholder Information	101
Third Party Data Provider Disclaimer	103
Communicating with Shareholders	104
Sustainable Finance Disclosure Regulation	106
Glossary of Terms and Alternative Performance Measures	107

The Baillie Gifford Japan Trust PLC aims to achieve long term capital growth principally through investment in medium to smaller sized Japanese companies which are believed to have above average prospects for growth.

Financial Highlights

Year to 31 August 2023

**Net Asset Value
Total Return***

(5.4%)

**Share Price
Total Return***

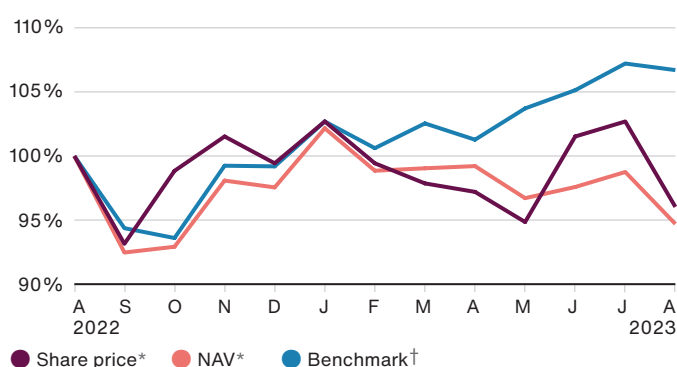
(4.0%)

**Benchmark†
Total Return***

6.7%

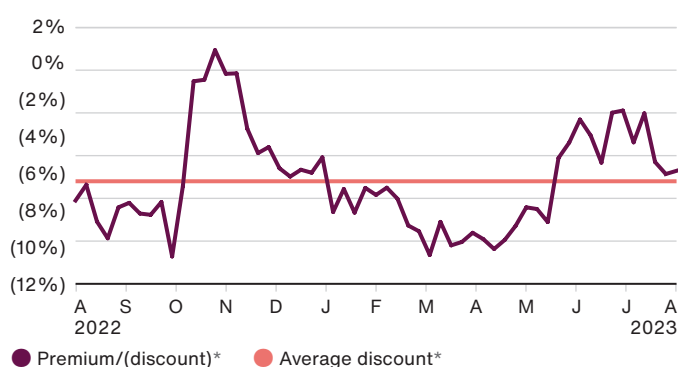
NAV, Share Price and Benchmark Total Return*

(figures rebased to 100 at 31 August 2022)



Premium/(Discount)* to Net Asset Value

(figures plotted on a weekly basis)



* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 107 and 108. Comparatives for 2022 can be found on page 24.

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

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 103.

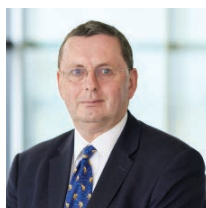
Past performance is not a guide to future performance.



Strategic Report

The Strategic Report, which comprises pages 5 to 44 and incorporates the Chairman's statement, has been prepared in accordance with the Companies Act 2006.

Chairman's Statement



David Kidd

Chairman

Appointed to the Board in 2015, and as Chairman in 2022

Introduction

Last year, I reported that there was a great deal of uncertainty facing investors including the global prospects for inflation, interest rates and bond yields but also the impact of other factors such as Covid-19 restrictions. These restrictions were lifted in Japan in the Autumn of 2022 and the Board visited Japan with the Managers in May 2023 – the first Board visit since 2019. I am pleased to report a most insightful trip where the Board had the opportunity to observe the Managers and their process in action and to meet with some of the most exciting companies held within the portfolio as well as several potential future investments.

Performance

In the year to 31 August 2023, the net asset value ('NAV') total return was (5.4%). As market sentiment remained poor, the Company's shares continued to trade at a discount to NAV, leading to a share price total return of (4.0%). The benchmark total return was 6.7% over the same period.

The Company's objective is to achieve long-term capital growth, and the NAV returns remain ahead of the benchmark on a 10 year time horizon.

Compound annual returns to end August	5 years (%)	10 years (%)
Net asset value total return*	(1.2)	9.3
Share price total return*	(3.0)	8.7
Benchmark total return*†	3.5	8.1

* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 107 and 108.

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

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 103.

Past performance is not a guide to future performance.

In June 2023, the Board conducted a thorough analysis with the Managers of the Company's performance over the previous five years, looking at both process and outcomes. The Company has an explicit growth-focused investment strategy. The vast majority of the Company's assets are invested in companies with higher than average growth prospects. The Board is strongly supportive of this investment strategy; the Japanese equity market is large and rich in opportunity but the Japanese economy itself grows slowly due to structural factors. As such, the Board believes companies able to demonstrate idiosyncratic growth should command a premium valuation and outperform over time. The Manager invests on a bottom-up basis, focusing on identifying the most attractive growth companies and largely ignoring macro factors. However, investors should note that there are certain market environments which do not favour growth investing and in which the Company may be more likely to underperform both its benchmark and more value-focused peers. While it is not possible to be prescriptive on this issue, an environment of rising inflation and interest rates, such as we have seen over the past two years, tends to be unfavourable for growth stocks' relative performance.

Gearing and Borrowing

The Board believes that borrowing will enhance returns to investors over the long-term. Net gearing fell very slightly from 17.5% to 17.0% over the year to 31 August 2023. The Board is pleased to announce that in August 2023 the Company entered into a new two year floating rate loan facility with The Bank of New York Mellon for ¥15 billion, being an increase of ¥2.8 billion on the SMBC loan that was repaid in August 2023. The new facility was used to repay the SMBC facility and Mizuho Bank revolving credit facility with the balance being available to the Managers to deploy.

Dividend

The Board is recommending a dividend of 10p per share, an increase of 11.1% on last year's 9p. This will be put to shareholders for approval at the Annual General Meeting to be held on 12 December 2023 and, if approved, will be paid on 20 December to shareholders on the register at close of business on 17 November 2023. A dividend reinvestment plan ('DRIP') is available to shareholders who would prefer to invest their dividends in the shares of the Company. For those shareholders electing to receive the DRIP, the last date for receipt of election is 29 November 2023.

Share Capital and Discount Management

Over the course of the year, the share price moved from a 8.1% discount to NAV to a 6.7% discount to NAV. During this period, the Company bought back 851,845 shares at a cost of approximately £6.4 million. These shares are held in Treasury and are available to be reissued, at a premium, when market conditions allow.

Your Board believes it is important that the Company retains the power to buy back equity during the year and so, at the Annual General Meeting, is seeking to renew this facility. Further details of the buy-back facility can be found on page 53.

The Company also has authority to issue new shares and to reissue any shares held in Treasury for cash on a non pre-emptive basis. Shares are issued/reissued only at a premium to net asset value, thereby enhancing net asset value per share for existing shareholders. The Directors are, once again, seeking 10% share issuance authority at the Annual General Meeting. This authority would expire at the conclusion of the Annual General Meeting in 2024.

Regulatory Update

The FCA also introduced a new set of rules labelled as 'Consumer Duty'. Investment Trusts, like the Company, are not directly impacted by this but Baillie Gifford, as the Company's Manager is. The Duty raises the standard of care that FCA regulated firms, like Baillie Gifford, are expected to provide to retail consumers and includes a number of obligations that need to be met. One of these obligations is to undertake an Assessment of Value on the 'products' managed. The relevant report on the Company has concluded that it does provide value, meaning that distributors will be able to undertake their assessments and continue to make shares in the Company available to current and potential shareholders.

Annual General Meeting

The Company's Annual General Meeting has been scheduled to take place on 12 December 2023 at Baillie Gifford's offices in Edinburgh. The Board encourages all shareholders to attend in person but also to exercise their votes by completing and submitting a form of proxy. We encourage shareholders to monitor the Company's website at japantrustplc.co.uk where any updates will be posted and market announcements will be made, as appropriate. Should shareholders have questions for the Board or the Managers or any queries as to how to vote, they are welcome to submit these by email to trusenquiries@bailliegifford.com or call 0800 917 2112.

Information on the resolutions can be found on pages 97 and 98 of the Annual Report and Financial Statements. The Directors consider that all resolutions to be put to shareholders are in their and the Company's best interests as a whole and recommend that shareholders vote in their favour.

In particular, shareholders have the right to vote annually on whether the Company should continue in business and will have the opportunity to do so again this year. Last year, the Company again received support for its continuation with 99.99% of votes cast in favour. Your Directors believe there are attractive opportunities in selected, well-run Japanese companies benefiting the long-term favourable outlook for the Japan Trust. To that end, my fellow Directors and I intend, where possible, to vote our own shareholdings in favour of the resolution and hope that all shareholders will feel disposed to do likewise.

Board

During the year the Board undertook a recruitment process seeking to appoint an additional independent non-executive director. The Board was pleased to announce the appointment of Patricia Lewis with effect from 1 August 2023. Patricia will stand for election at the upcoming Annual General Meeting.

The Board is cognisant of good corporate governance practice and as such I should also like to mention my intention to step down from the Board at the Annual General Meeting to be held in 2025. This would mean that I serve 10 years in total on the Board with just over three of those years as Chairman, a role to which I was appointed following the untimely death of Keith Falconer.

Outlook

The portfolio contains many attractive growth companies. Your Board is confident in the long-term, and hopeful in the shorter-term, regarding the prospects for the Company.

David Kidd
Chairman
1 November 2023

Managers' Review



Matthew Brett

Manager

Whilst there remain various global challenges, including war and other geopolitical tensions, high inflation levels and climate challenges the most significant development of the year from an investment perspective has been the leap forward in artificial intelligence ('AI') large language models, as typified by ChatGPT. The investment landscape remains complex and at times contradictory but technological progress and the investment opportunities that flow from it remain a constant.



Praveen Kumar

Deputy Manager

The last 12 months have certainly not been a vintage year for the Company with a NAV total return of (5.4%) compared with 6.7% for the TOPIX index, in sterling terms. Over 5 years the cumulative NAV total return was (5.8%) and over 10 years 143.5%. This compares to increases in the TOPIX index of 18.5% over 5 years and 116.9% over 10 years. To be behind the index to a material extent over a 5 year horizon is disappointing to us, and doubtless to shareholders.

As was the case last year, our biases towards higher growth and smaller companies have both been unhelpful to us. While not our natural hunting ground as growth investors the place to be has been in more cyclical areas. Since there was a positive return in Yen, being geared made a small positive contribution to performance (+0.9ppt). Despite the unsatisfactory overall result there is little to say at the stock level. Two companies subtracted more than 1.0ppt from performance, CyberAgent and Misumi, but the issue was more that we missed out on many of the successful names.

The low returns over the past 5 years merit discussion. Has something gone wrong with our process? Where do we get conviction on a forward-looking basis? When will these businesses become better appreciated?

For a definition of terms, see Glossary of Terms and Alternative Performance Measures on pages 107 and 108.

Past performance is not a guide to future performance.

The first point to make is that this 5 year period can be split into two halves. In the period from August 2018 to August 2021 the performance was positive in both absolute and relative terms. However, this good 3 year period has been followed by 2 challenging years. As a reminder, your Company's portfolio is very different to the underlying market. The Trust holds no investments in around half of the 33 industries included in the Company's benchmark index, TOPIX. Some of the top performing sectors over the past twelve months include iron and steel, banks, marine transportation and construction – areas where we have little exposure. If these stocks go up we will underperform. But our view remains that these areas offer little fundamental opportunity for growth investors. Another measure of how different your Company's portfolio is to the TOPIX is the percentage of the portfolio with founder shareholders. For The Baillie Gifford Japan Trust, 29% of the portfolio has a founder-owner in charge compared with 8% for the TOPIX as a whole (source: MSCI). In the long run we believe that having a founder at the helm better aligns the interests of management and shareholders.

Tentatively, it may be that the investment environment created by the pandemic suited the types of businesses that we favour while the investment environment created by the exit from that environment suited more cyclical businesses. The net result of this is that performance over the 5 years is behind. However, inevitably, we are trying to analyse a story containing large swings in opposing directions that has not yet completed. The conclusions that we can draw from this period will only be secure when more time has passed, and we know what the ultimate results are.

The fundamentals of our process remain the same. Our team remains intact with no changes to the senior investors over the past 5 years and our approach to selecting stocks is substantially unchanged. We continue our steady fundamental research-based approach of trying to identify companies with good growth prospects at a similar tempo to the past.

We can look at the stocks in the portfolio with the worst contributions to performance over the past 5 years. These are CyberAgent, Rakuten, Outsourcing, Sato Holdings, and GA Technologies. They had a negative attribution ranging from (2.1%) to (1.1%) respectively. The first obvious question is, has something gone wrong with these businesses? For the most recent 5 full years available these companies grew their sales by 14% p.a., 15% p.a., 25% p.a., 5% p.a., and 64% p.a. respectively. If we didn't know the share price return, I would certainly be more than happy with the average underlying growth. And as a reminder, these are the worst contributors to performance. A lot of the challenge has come from profit growth not keeping up with sales. For example, CyberAgent had a very successful hit in its gaming business that it has yet to be able to better. Meanwhile, Rakuten has been rolling out a new mobile network in Japan that has proven more costly than we expected and has yet to reach profitability. Looking forwards we expect CyberAgent to be able to achieve new peak profits and think that Rakuten is past the worst of its investment phase and that ultimately its mobile business will be successful.

Looking forward we expect continuing developments in AI to provide opportunities for many of the companies in the portfolio. AI can be thought of as comprising multiple layers – chips, datacentres, models, and applications for example. Currently much excitement has been about the opportunity in the first layer, chips, but as time progresses we expect a broader view to be taken about where the opportunities are.

Starting with the major portfolio holdings, SoftBank owns nearly 90% of recently re-listed ARM, which has a near-monopoly in mobile phone chip design, as well as many early-stage AI companies listed in the Vision Fund. Mr Son is looking towards a future not just of artificial general intelligence (where AI roughly operates at a human level across a wide variety of domains) but to a future of artificial super-intelligence (where AI is multiples more capable than humans). GMO Internet has a large exposure to internet infrastructure and datacentres in Japan. Rakuten has proprietary data across its ecosystem which provides the foundation for creating successful applications for AI. CyberAgent has developed the world's first large language model built with the Japanese language as the base. Each of these are top 10 holdings in the Company. Additionally, we expect opportunities in many of the smaller holdings. For example, Z Holdings expect to be able to achieve huge improvements in software engineer productivity as humans work alongside AI as well as to be able to achieve big cost reductions in dealing with customer queries. Bengo4.com has already developed a prototype 'AI lawyer'.

It is always difficult for us to assess when businesses will become better appreciated which is why we try to focus more on the underlying progress of sales and profits in the expectation that, over the long term, these will be reflected in share prices. Like you, we would like to have seen significantly better share price results over the past couple of years but, in general, we see solid ongoing progress at individual businesses and take significant comfort from that.

Meanwhile, we have continued to try to improve the portfolio. During the period we bought 9 new holdings and sold 7 holdings. Recently we have been taking advantage of the high level of pain being felt in smaller growth companies share prices to initiate new holdings in Vector (public relations agency), SWCC Showa (high voltage cables), Nihon M&A (mergers and acquisitions in Japan) and Lifenet Insurance (online life insurance). We also took a new holding in M3 (medical website) after the shares fell by more than 60% from the price that we previously sold the shares at in late 2020 due to valuation concerns. Similar to the case of Pigeon last year, the very large share price moves have exceeded the changes in the fundamentals, which we believe has created opportunity for long-term investors. The sales spanned a variety of reasons, from considering the shares to be fully valued due to cyclical increase in resource prices (Inpex, Toyota Tsusho), or becoming doubtful on the long-term prospects being realised (Shimano, Makita, Tsubaki Nakashima, Lifull). As is typical, turnover remained low at 8.8% meaning that 91.2% of the portfolio was unchanged year-on-year. Net gearing ended the year at 17%, reflecting our belief in the significant opportunities available.

As Sir John Templeton put it many years ago “outperforming the majority of investors requires doing what they are not doing”. We are sticking to an approach that has been effective over the decades of trying to buy businesses with attractive long-term growth prospects, not fiddling with the portfolio, and letting those businesses generate the returns over time. This process has never worked every year and the past 2 years have been a particularly challenging time. However, we believe that the opportunities for growth investing in Japan are the greatest since the Global Financial Crisis and ask for shareholders continued support.

Baillie Gifford
1 November 2023

Relative Contribution

Top Ten Relative Stock Contributors

Year to 31 August 2023

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
DMG Mori	1.8	0.0	0.4
Itochu	2.8	1.0	0.4
Olympus	0.0	0.5	0.3
Chugoku Marine Paints	0.8	0.0	0.2
Mercari	1.1	0.0	0.2
Sumitomo Mitsui Trust Bank	3.4	0.3	0.2
MS&AD Insurance	2.8	0.3	0.2
Nifco	1.4	0.0	0.2
M3	0.1	0.2	0.1
DENSO	2.1	0.6	0.1

Bottom Ten Relative Stock Contributors

Year to 31 August 2023

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
CyberAgent	2.4	0.1	(1.3)
Misumi	2.5	0.2	(1.1)
GMO Internet	3.1	0.0	(0.9)
Rakuten	2.4	0.1	(0.8)
MonotaRO	1.4	0.1	(0.7)
FANUC	3.3	0.7	(0.7)
Oisix	1.4	0.0	(0.5)
Systemex	2.1	0.3	(0.5)
GA Technologies	1.2	0.0	(0.5)
mixi	2.7	0.0	(0.4)

Top Ten Relative Stock Contributors

5 years to 31 August 2023

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
M3	0.8	0.3	1.4
Itochu	2.4	0.8	1.3
SoftBank Group	5.7	1.7	1.2
Pan Pacific International	0.6	0.2	1.0
DENSO	1.8	0.5	0.7
MS&AD Insurance	1.4	0.3	0.7
SMC	1.3	0.7	0.7
Inpex	1.7	0.2	0.6
Advantest	0.2	0.2	0.6
JAFCO	0.5	0.0	0.5

Bottom Ten Relative Stock Contributors

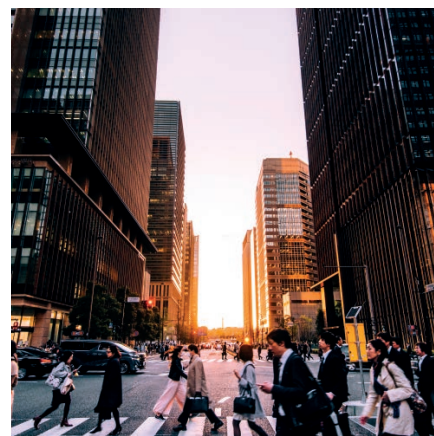
5 years to 31 August 2023

Name	Portfolio (average weight) %	Index (average weight) %	Relative contribution %
CyberAgent	2.5	0.1	(2.1)
Rakuten	3.3	0.2	(1.8)
Outsourcing	1.6	0.0	(1.4)
Sato Holdings	1.7	0.0	(1.3)
GA Technologies	0.6	0.0	(1.1)
Toyota Motor	0.0	3.6	(1.1)
Systemex	2.5	0.3	(1.0)
Misumi	2.5	0.2	(1.0)
Calbee	1.6	0.1	(0.9)
Healios K.K.	0.2	0.0	(0.8)

Source: Revolution and relevant underlying index providers. Baillie Gifford Japan Trust relative to TOPIX total return, in sterling terms. See disclaimer on page 103.

Review of Investments

A review of the Company's ten largest investments as at 31 August 2023.



SoftBank Group

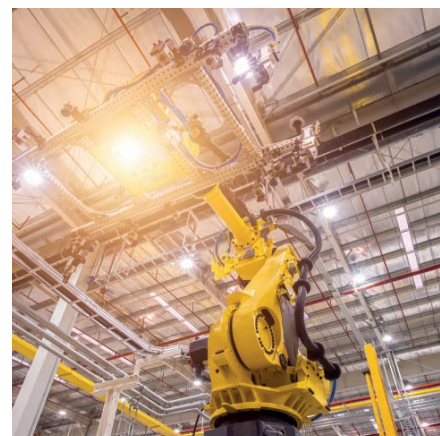
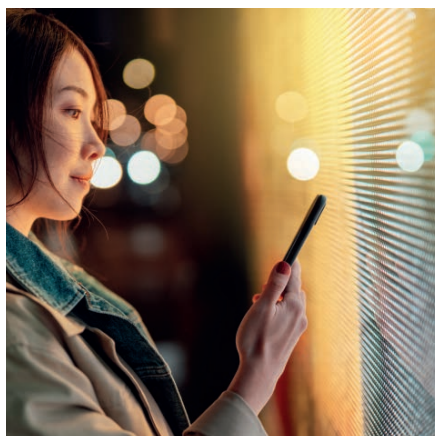
Diversified holding company run by dynamic entrepreneur Masayoshi Son, who holds over 25% of the shares. It encompasses large investments in ARM (global semiconductor designer), mobile telecoms, and through its Vision Funds, many early-stage technology investments. The underlying businesses continue to grow, some very rapidly; we believe Mr Son to be an excellent allocator of capital and the discount that the shares trade at to the value of the underlying holdings remains significant.

Valuation	£45,420,000
% of total investments	5.3%
Valuation at 31 August 2022	£46,440,000
% of total investments at 31 August 2022	5.0%
Net purchases/(sales) in year to 31 August 2023	(£1,954,000)

Sumitomo Mitsui Trust Bank

Sole remaining independent trust bank in Japan following consolidation of the sector. They have a significant asset management business and fees form a major part of the business, which differentiates them from the megabanks. It could be a major beneficiary of reflation as domestic investors shift from vast cash savings into risk assets. We believe that management shows a healthy balance between ambition and conservatism, which is especially important in managing a bank.

Valuation	£31,818,000
% of total investments	3.7%
Valuation at 31 August 2022	£28,945,000
% of total investments at 31 August 2022	3.1%
Net purchases/(sales) in year to 31 August 2023	Nil



SBI Holdings

Leading internet-focused financial services company in Japan offering online brokerage, internet banking, online life insurance and venture capital. As the company once put it: “utilising opportunities provided by the powerful price-destruction forces of the Internet and developing financial services that further enhance benefits to customers”. The founder, Yoshitaka Kitao, has succeeded in building a company with a very good reputation among its customers and has been alert to the opportunities presented by new technologies.

Valuation	£29,900,000
% of total investments	3.5%
Valuation at 31 August 2022	£31,558,000
% of total investments at 31 August 2022	3.4%
Net purchases/(sales) in year to 31 August 2023	Nil

Rakuten

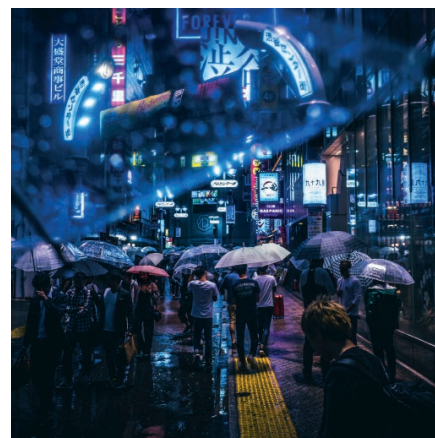
Internet conglomerate with strength in e-commerce and online financial services and an innovative points system that links them together. Successes include building Japan’s largest credit card business and large online banking and brokerage operations. The company has recently built a new mobile phone network in Japan and is now attempting to attract a significant customer base. The dynamic founder, Hiroshi Mikitani, owns around a third of the shares, providing close alignment of interests.

Valuation	£27,787,000
% of total investments	3.2%
Valuation at 31 August 2022	£20,924,000
% of total investments at 31 August 2022	2.2%
Net purchases/(sales) in year to 31 August 2023	£13,125,000

FANUC

FANUC manufactures factory automation systems and robots, with strength in CNCs (computerised numerical controls) which are specialist computers attached to machine tools to synchronise the actions. We expect the global automation market to continue to grow as companies focus on efficiency and productivity to improve their competitiveness. We believe that FANUC’s high market share and reputation in automation and robotics will allow it to continue generating attractive returns on capital and grow profitably.

Valuation	£25,540,000
% of total investments	3.0%
Valuation at 31 August 2022	£31,699,000
% of total investments at 31 August 2022	3.4%
Net purchases/(sales) in year to 31 August 2023	Nil



Calbee

Leading snack foods company with very high market shares in Japan and several opportunities. First, we think it has scope to improve margins in the domestic business over time. Second, it has a small overseas business mostly in the US and Asia that has potential to generate sales growth for many years. Finally, Pepsi, which has a strategic shareholding in the business, could see it as an attractive bolt-on acquisition.

Valuation	£25,206,000
% of total investments	2.9%
Valuation at 31 August 2022	£27,394,000
% of total investments at 31 August 2022	2.9%
Net purchases/(sales) in year to 31 August 2023	Nil

Sony

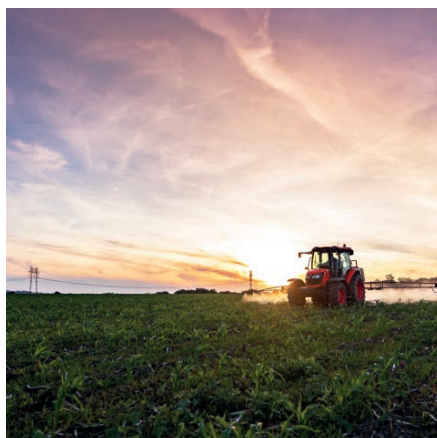
Major owner of game, music and film content with some hardware businesses. The PlayStation is the leading console platform for networked games and a front-runner in virtual reality (VR). Sony is the world's largest music publisher and a major film producer and benefits from growing content demand. It is investing in its areas of strength, notably content and its dominant position in image sensors. We believe CEO Kenichiro Yoshida continues to provide effective leadership.

Valuation	£24,747,000
% of total investments	2.9%
Valuation at 31 August 2022	£25,431,000
% of total investments at 31 August 2022	2.7%
Net purchases/(sales) in year to 31 August 2023	(£62,000)

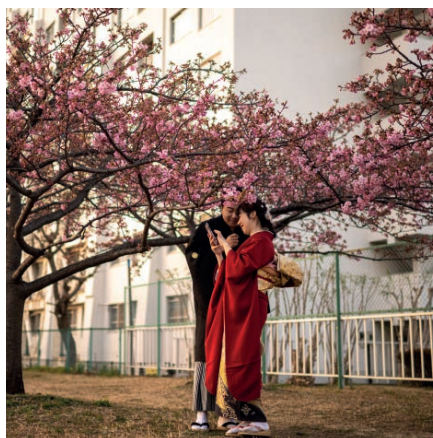
GMO Internet

Domestic internet conglomerate and leading provider of internet infrastructure. It is the number one provider of domain name registrations and hosting services and has a strong position in hosting e-commerce websites and processing transactions as well as providing a variety of internet-related services. Founder Masatoshi Kumagai owns over 40% of the shares, providing alignment between management and shareholders. Finally, the company trades at a significant discount to the value of its holdings.

Valuation	£23,367,000
% of total investments	2.7%
Valuation at 31 August 2022	£29,197,000
% of total investments at 31 August 2022	3.1%
Net purchases/(sales) in year to 31 August 2023	£166,000



© Shutterstock / VRstudio.



© PHILIP FONG/AFP/Getty Images.

Kubota

Kubota is a producer of agricultural equipment and mini excavators. We believe agricultural mechanisation is a very well established and long duration growth opportunity. Due to its Japanese heritage, Kubota is especially well placed to benefit from long-term growth in demand for agricultural equipment in Asian markets such as rice planters, combine harvesters and small tractors. It should also benefit from increased levels of infrastructure spending in North America giving a further opportunity.

Valuation	£22,831,000
% of total investments	2.7%
Valuation at 31 August 2022	£24,429,000
% of total investments at 31 August 2022	2.6%
Net purchases/(sales) in year to 31 August 2023	(£72,000)

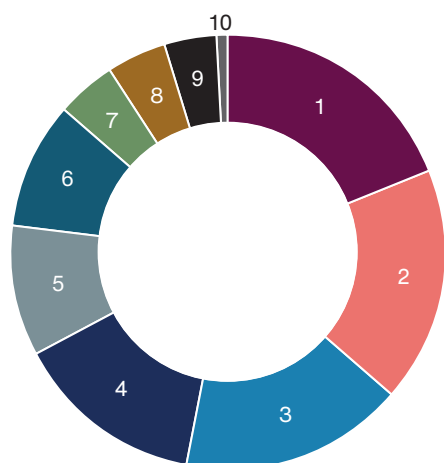
mixi

mixi is mainly a mobile gaming company with a founder shareholder, Kenji Kasahara, who holds over 40% of the shares. Currently most of the profits come from the hit game Monster Strike, which is the largest grossing mobile game in Japan. We believe that the company has significant entrepreneurial energy and the ability to generate future success, either in the gaming business or elsewhere.

Valuation	£21,141,000
% of total investments	2.5%
Valuation at 31 August 2022	£23,922,000
% of total investments at 31 August 2022	2.6%
Net purchases/(sales) in year to 31 August 2023	(£83,000)

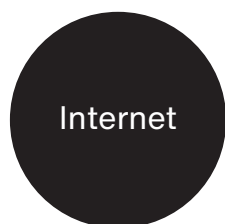
Distribution of Total Assets and Main Portfolio Themes

Sectoral 2023



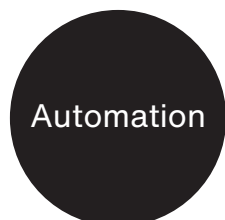
Sectoral	2023 %	2022 %
1 Manufacturing and machinery	18.9	21.5
2 Commerce and services	17.6	18.0
3 Information, communication and utilities	16.7	16.6
4 Electricals and electronics	14.2	14.3
5 Financials	9.8	9.4
6 Chemicals and other materials	9.4	8.2
7 Pharmaceuticals and food	4.4	3.6
8 Retail	4.4	4.1
9 Real estate and construction	3.8	4.3
10 Communication services	0.8	-

Main Portfolio Themes



Japan catching up with other developed nations

SoftBank, Rakuten, SBI, CyberAgent



Global leader in a growing industry

FANUC, SMC, Kubota



Resilient to a changing world

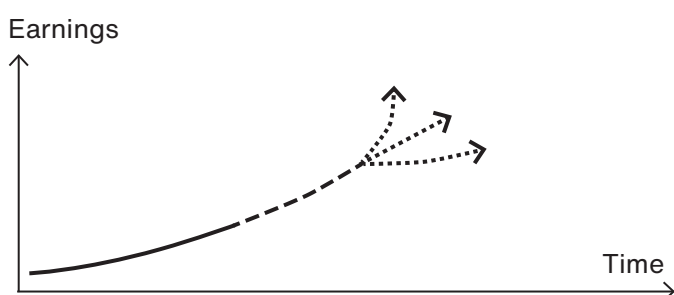
Nintendo, Pigeon, Shiseido, Bridgestone



Investment Portfolio by Growth Category

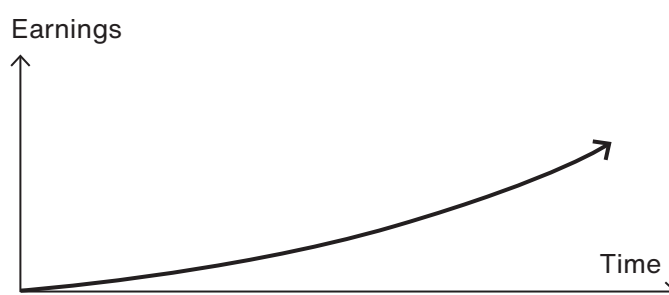
As at 31 August 2023

Secular Growth



Opportunity to grow rapidly but where there are a number of potential outcomes.

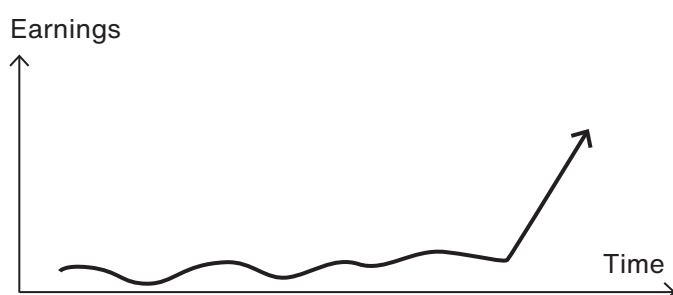
Growth Stalwarts



Growth is less rapid but more predictable.

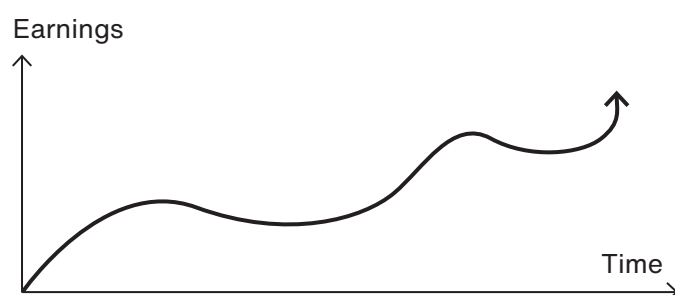
% of total investments		% of total investments	
SBI Holdings	3.5	Seria	0.9
Rakuten	3.2	Z Holdings	0.8
FANUC	3.0	Broadleaf	0.7
GMO Internet	2.7	Demae-can	0.7
Kubota	2.7	M3	0.7
CyberAgent	2.1	Pigeon	0.7
Recruit Holdings	2.0	freee K.K.	0.6
Misumi	2.0	Vector	0.6
Sato	1.9	Infomart	0.6
Systemex	1.8	Digital Garage	0.5
Oisix	1.6	Nihon M&A Center	0.5
GA Technologies	1.3	Noritsu Koki	0.5
Nidec	1.3	PeptiDream	0.5
TKP	1.2	Bengo4.com	0.5
Topcon	1.2	Lifenet Insurance	0.4
MonotaRO	1.1	BASE	0.4
Mercari	1.1	Istyle	0.4
Keyence	1.1	Rizap	0.4
Rakul	1.1	Nippon Ceramic	0.3
SMC	0.9	Total	47.5

% of total investments	
Calbee	2.9
Shiseido	2.4
Unicharm	2.2
Nintendo	2.1
Pola Orbis	1.8
Sugi	0.8
Kao	0.8
Park24	0.6
Sawai Pharmaceutical	0.3
Total	13.9

Special Situations

Performance has not been good but there is a reason to believe improvements are underway.

	% of total investments
SoftBank Group	5.3
Sony	2.9
mixi	2.5
MS&AD Insurance	2.2
Tokyo Tatemono	1.3
Colopl	1.3
Olympus	0.7
Total	16.2

Cyclical Growth

Earnings do not rise every year but are expected to be higher from one cycle to the next.

	% of total investments
Sumitomo Mitsui Trust Bank	3.7
Bridgestone	2.2
DMG Mori	2.2
Itochu	2.2
Sumitomo Metal Mining	2.0
Rohm	1.8
Nifco	1.6
DENSO	1.6
Murata Manufacturing	1.5
Chugoku Marine Paints	1.0
Outsourcing	0.9
Iida Group Holdings	0.7
SWCC Showa	0.5
Shima Seiki	0.5
Total	22.4

List of Investments

As at 31 August 2023

Name	Business	2023 Value £'000	2023 % of total investments	Absolute * performance %	Relative * performance %
SoftBank Group	Information, communication and utilities	45,420	5.3	3.7	(2.9)
Sumitomo Mitsui Trust Bank	Financials	31,818	3.7	14.4	7.2
SBI Holdings	Financials	29,900	3.5	(0.6)	(6.9)
Rakuten	Commerce and services	27,787	3.2	(24.6)	(29.4)
FANUC	Electricals and electronics	25,540	3.0	(17.8)	(23.0)
Calbee	Pharmaceuticals and food	25,206	2.9	(6.6)	(12.5)
Sony	Electricals and electronics	24,747	2.9	(4.1)	(10.1)
GMO Internet	Information, communication and utilities	23,367	2.7	(20.1)	(25.1)
Kubota	Manufacturing and machinery	22,831	2.7	(4.1)	(10.2)
mixi	Commerce and services	21,141	2.5	(7.9)	(13.7)
Shiseido	Manufacturing and machinery	20,502	2.4	(1.2)	(7.4)
MS&AD Insurance	Financials	19,159	2.2	14.9	7.7
Bridgestone	Manufacturing and machinery	19,096	2.2	(4.4)	(10.4)
DMG Mori	Manufacturing and machinery	18,802	2.2	32.0	23.7
Itochu	Commerce and services	18,735	2.2	28.3	20.3
Unicharm	Chemicals and other materials	18,711	2.2	5.5	(1.2)
Nintendo	Manufacturing and machinery	18,216	2.1	(1.1)	(7.3)
CyberAgent	Commerce and services	17,967	2.1	(40.2)	(44.0)
Recruit Holdings	Commerce and services	17,467	2.0	2.3	(4.1)
Sumitomo Metal Mining	Chemicals and other materials	17,416	2.0	(6.9)	(12.8)
Misumi	Commerce and services	16,789	2.0	(7.9)	(13.7)
Sato	Manufacturing and machinery	16,497	1.9	(1.1)	(7.3)
Pola Orbis	Chemicals and other materials	15,795	1.8	8.8	2.0
Rohm	Electricals and electronics	15,575	1.8	2.7	(3.7)
Systemex	Electricals and electronics	15,231	1.8	(20.6)	(25.6)
Nifco	Chemicals and other materials	13,839	1.6	20.9	13.3
DENSO	Manufacturing and machinery	13,631	1.6	16.4	9.1
Oisix	Retail	13,497	1.6	(24.0)	(28.8)
Murata Manufacturing	Electricals and electronics	12,898	1.5	(3.6)	(9.7)
Tokyo Tatemono	Real estate and construction	11,466	1.3	(17.0)	(22.2)
GA Technologies	Information, communication and utilities	11,348	1.3	(29.9)	(34.3)

Name	Business	2023 Value £'000	2023 % of total investments	Absolute * performance %	Relative * performance %
Nidec	Electricals and electronics	11,261	1.3	(27.9)	(32.4)
Colopl	Information, communication and utilities	10,694	1.3	(18.8)	(23.9)
TKP	Real estate and construction	10,200	1.2	(3.0)	(9.1)
Topcon	Manufacturing and machinery	9,878	1.2	(17.4)	(22.6)
MonotaRO	Retail	9,652	1.1	(39.9)	(43.7)
Mercari	Information, communication and utilities	9,525	1.1	27.6	19.6
Keyence	Electricals and electronics	9,481	1.1	0.6	(5.7)
Raksul	Information, communication and utilities	9,150	1.1	14.0	6.9
Chugoku Marine Paints	Chemicals and other materials	8,510	1.0	45.3	36.2
SMC	Manufacturing and machinery	7,884	0.9	(6.2)	(12.1)
Seria	Retail	7,726	0.9	(24.6)	(29.4)
Outsourcing	Commerce and services	7,613	0.9	(16.3)	(21.5)
Sugi	Retail	7,174	0.8	(2.4)	(8.5)
Z Holdings#	Communication services	7,146	0.8	11.1 †	2.4 †
Kao#	Chemicals and other materials	6,752	0.8	1.1 †	(9.3) †
Broadleaf	Information, communication and utilities	6,278	0.7	(8.8)	(14.6)
Demae-can#	Information, communication and utilities	6,215	0.7	(20.2) †	(31.1) †
Olympus#	Pharmaceuticals and food	6,206	0.7	7.9 †	2.7 †
M3#	Commerce and services	6,124	0.7	(4.0) †	(5.7) †
Iida Group Holdings	Real estate and construction	6,123	0.7	2.0	(4.4)
Pigeon	Manufacturing and machinery	5,901	0.7	(27.0)	(31.6)
Park24	Real estate and construction	5,420	0.6	(9.9)	(15.6)
freee K.K.	Information, communication and utilities	5,113	0.6	(11.1)	(16.6)
Vector#	Information, communication and utilities	4,787	0.6	(3.2) †	(4.7) †
Infomart	Commerce and services	4,763	0.6	(3.4)	(9.5)
SWCC Showa#	Electricals and electronics	4,637	0.5	(2.4) †	(4.0) †
Digital Garage	Information, communication and utilities	4,228	0.5	(15.6)	(20.9)
Nihon M&A Center#	Commerce and services	4,128	0.5	(9.9) †	(15.6) †
Noritsu Koki	Manufacturing and machinery	4,111	0.5	5.2	(1.4)
PeptiDream	Pharmaceuticals and food	4,072	0.5	(2.8)	(8.9)
Shima Seiki	Manufacturing and machinery	4,017	0.5	(21.4)	(26.4)

Name	Business	2023 Value £'000	2023 % of total investments	Absolute * performance %	Relative * performance %
Bengo4.com	Commerce and services	3,884	0.5	14.5	7.3
Lifenet Insurance#	Financials	3,728	0.4	(3.2)†	(1.4)†
BASE	Information, communication and utilities	3,686	0.4	0.7	(5.7)
Istyle	Information, communication and utilities	3,359	0.4	(15.1)	(20.5)
Rizap	Commerce and services	3,124	0.4	10.1	3.1
Nippon Ceramic	Electricals and electronics	2,805	0.3	(10.5)	(16.1)
Sawai Pharmaceutical	Pharmaceuticals and food	2,737	0.3	2.2	(4.2)
Total investments		858,486	100.0		
Net liquid assets		6,200			
Total assets		864,686			
Bank loans		(131,723)			
Equity shareholders' funds		732,963			

* Absolute and relative performance have been calculated on a total return basis over the period 1 September 2022 to 31 August 2023. For investments held for part of the year, the return is for the period they were held. Absolute performance is in sterling terms; relative performance is against TOPIX total return (in sterling terms).

† Figures relate to part period returns.

New purchase during the year. Complete sales in the year were Inpex, Lifull, Makita, Secom, Shimano, Toyota Tsusho and Tsubaki Nakashima.

Source: Revolution/Baillie Gifford and relevant underlying index providers. See disclaimer on page 103.

Past performance is not a guide to future performance.



One Year Summary

The following information illustrates how the Company has performed over the year to 31 August 2023. The net asset value total return was (5.4%), underperforming the Company's benchmark total return which was 6.7%.

	31 August 2023	31 August 2022	% change
Total assets (before deduction of bank loans)*	£864.7m	£940.4m	
Bank loans	£131.7m	£149.4m	
Shareholders' funds	£733.0m	£791.0m	
Net asset value per ordinary share	787.7p	842.4p	(6.5)
Share price	735.0p	774.0p	(5.0)
Discount*	(6.7%)	(8.1%)	
Revenue earnings per ordinary share	10.52p	11.31p	
Dividend per ordinary share payable and paid in respect of the financial year	10.00p	9.00p	11.1
Ongoing charges*	0.67%	0.66%	
Yen/sterling exchange rate	184.5	161.3	14.4
Active share*	83%	82%	
Year to 31 August	2023	2022	
Total return (%)*			
Net asset value per ordinary share	(5.4)	(16.3)	
Share price	(4.0)	(23.8)	
TOPIX (in sterling terms)†	6.7	(3.9)	

* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 107 and 108.

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

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 103.

Past performance is not a guide to future performance.

Year to 31 August	2023	2023	2022	2022
Year's high and low	High	Low	High	Low
Net asset value per ordinary share	876.0p	749.0p	1,105.7p	707.6p
Share price	827.0p	703.0p	1,106.0p	662.0p
Premium/(discount)*	0.2%	(11.9%)	2.3%	(9.6%)

Year to 31 August	2023	2022
Net return per ordinary share		
Revenue return	10.52p	11.31p
Capital return	(56.79p)	(176.19p)
Total return	(46.27p)	(164.88p)

* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 107 and 108.

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 103.

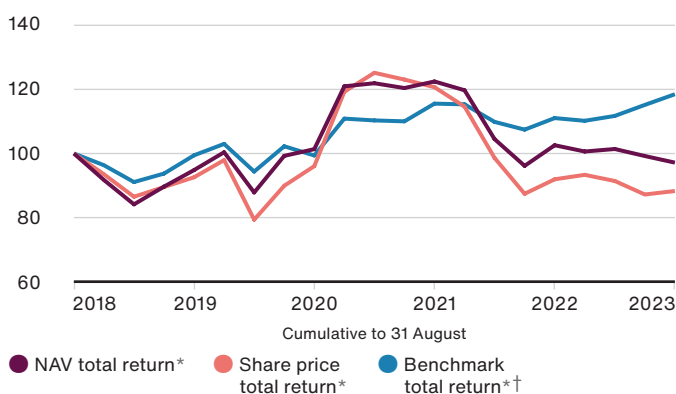
Past performance is not a guide to future performance.

Five Year Summary

The following charts indicate how an investment in Baillie Gifford Japan has performed relative to its benchmark[†] over the five year period to 31 August 2023.

Five Year Total Return Performance*

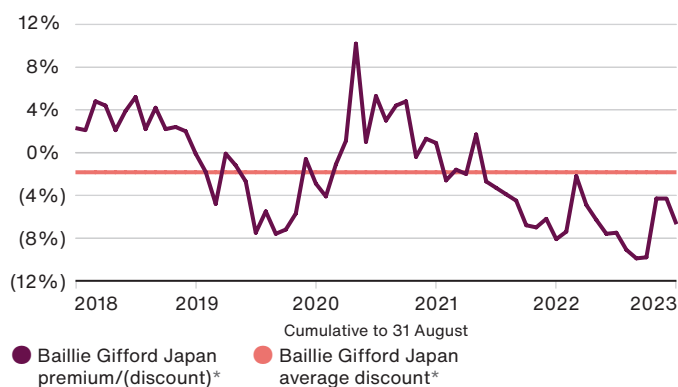
(figures rebased to 100 at 31 August 2018)



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

Premium/(Discount)* to Net Asset Value

(figures plotted on a monthly basis)



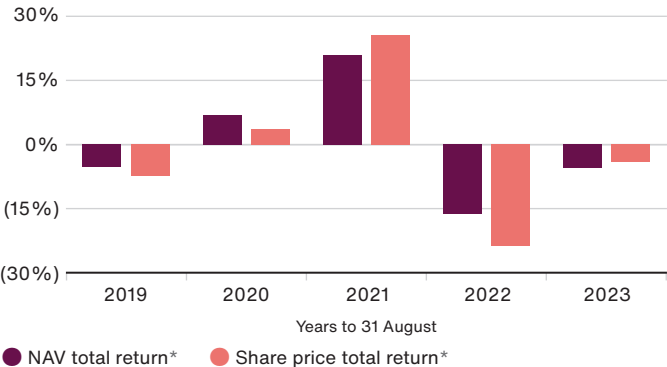
* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 107 and 108.

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

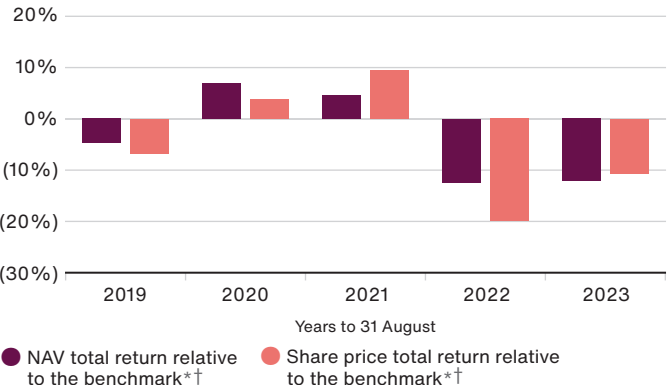
Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 103.

Past performance is not a guide to future performance.

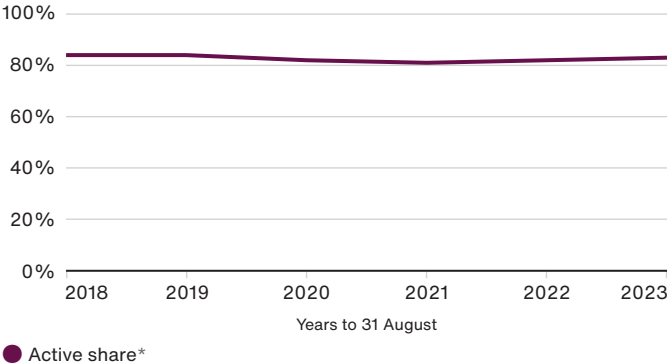
Annual Change in Net Asset Value Total Return and Share Price Total Return*



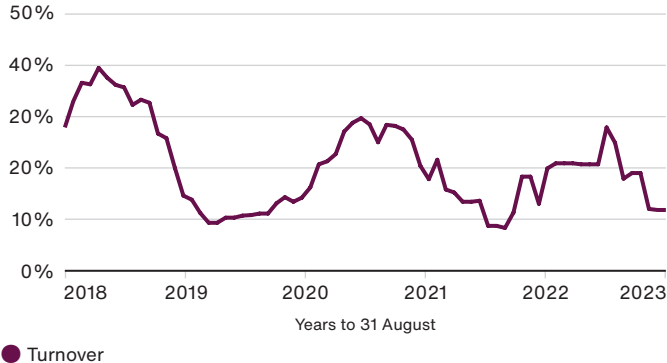
Annual Change in Net Asset Value Total Return and Share Price Total Return* Relative to the Benchmark†



Five Year Active Share*



Five Year Turnover



* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 107 and 108.

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

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 103.

Past performance is not a guide to future performance.

Ten Year Record

Capital

At 31 August	Total assets* £'000	Bank loans £'000	Shareholders' funds £'000	Net asset value per share p	Share price p	Premium/(discount)* %
2013	245,954	35,579	210,375	323.5	317.9	(1.7)
2014	290,447	41,733	248,714	358.7	352.3	(1.8)
2015	377,879	54,726	323,153	430.2	444.8	3.4
2016	500,291	75,294	424,997	539.8	517.5	(4.1)
2017	657,721	82,500	575,221	685.8	711.5	3.7
2018	870,590	114,486	756,104	835.8	855.0	2.3
2019	859,746	127,641	732,105	792.1	791.0	(0.1)
2020	923,809	151,420	772,389	840.8	817.0	(2.8)
2021	1,097,602	142,200	955,402	1,012.8	1,022.0	0.9
2022	940,413	149,407	791,006	842.4	774.0	(8.1)
2023	864,686	131,723	732,963	787.7	735.0	(6.7)

Revenue

Gearing Ratios

Year to 31 August	Income £'000	Net return after tax £'000	Net return per ordinary share p	Dividend paid and proposed per ordinary share p	Ongoing charges* %	Gearing* %	Potential gearing* %
2013	3,177	141	0.22	-	1.13	16	17
2014	3,746	322	0.47	-	0.89	15	17
2015	4,316	199	0.28	-	0.90	14	17
2016	7,090	1,823	2.35	-	0.87	17	18
2017	8,480	2,235	2.80	-	0.77	13	14
2018	10,874	2,234	2.54	0.60	0.73	11	15
2019	13,498	4,755	5.18	3.50	0.70	12	17
2020	15,337	6,047	6.56	4.50	0.68	4	20
2021	17,224	7,336	7.89	6.00	0.66	10	15
2022	20,075	10,661	11.31	9.00	0.66	18	19
2023	18,707	9,832	10.52	10.00	0.67	17	18

* Alternative Performance Measure - see Glossary of Terms and Alternative Performance Measures on pages 107 and 108.

Past performance is not a guide to future performance.

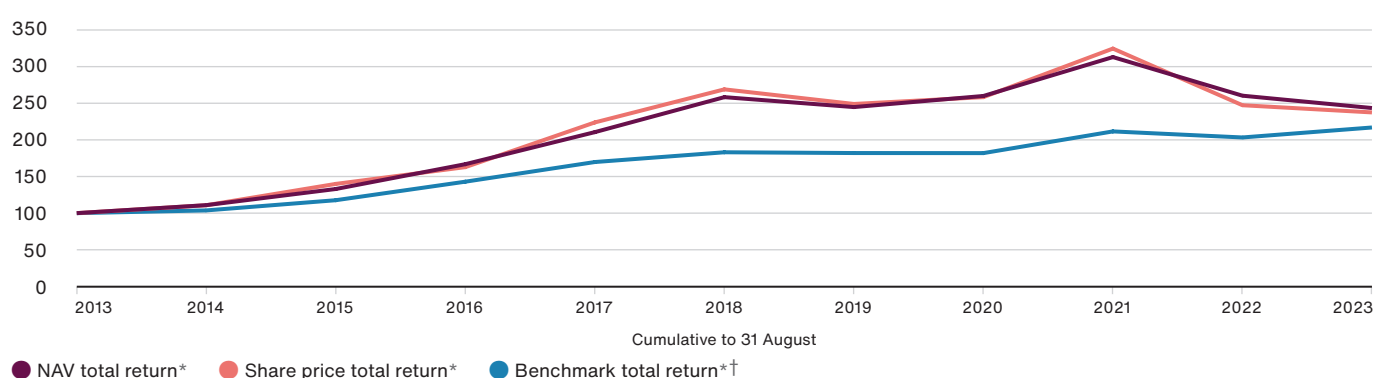
Cumulative Performance (taking 2013 as 100)

At 31 August	Net asset value per share total return *	Share price total return *	Benchmark total return *†	Net asset value per share total return % change *	Share price total return % change *	Benchmark total return % change *†
2013	100	100	100			
2014	111	111	104	10.9	10.8	3.7
2015	133	140	118	19.9	26.3	13.4
2016	167	163	143	25.5	16.4	21.5
2017	212	224	170	27.0	37.5	18.8
2018	258	269	183	21.9	20.2	7.8
2019	245	249	182	(5.2)	(7.4)	(0.6)
2020	260	257	182	6.6	3.7	(0.1)
2021	313	322	212	21.0	25.7	16.3
2022	260	243	203	(16.3)	(23.8)	(3.9)
2023	244	231	217	(5.4)	(4.0)	6.7

Compound Annual Returns

5 year	(1.2%)	(3.0%)	3.5%
10 year	9.3%	8.7%	8.1%

Ten Year Total Return Performance*



* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 107 and 108.

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

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 103.

Past performance is not a guide to future performance.

Environmental, Social and Governance Engagement

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

The Company believes that it is in the shareholders' interests to consider environmental, social and governance ('ESG') factors when selecting and retaining investments and has asked the Managers to take these issues into account. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors could impact long-term

investment returns. The Managers' Statement of Compliance with the UK Stewardship Code can be found on the Managers' website:

[bailliegifford.com](https://www.bailliegifford.com). The Managers' policy has been reviewed and endorsed by the Board. The Managers, Baillie Gifford & Co, are signatories to the United Nations Principles for Responsible Investment.

By engaging with companies, the Managers 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 table below shows the companies the Managers engaged with during the 12 months to 31 August 2023. The two examples on page 31 demonstrate our stewardship approach through constructive, ongoing engagement.

Engagements during the 12 months to 31 August 2023	Environmental	Social	Governance
Demae-can			●
DENSO	●		
FANUC		●	●
GA Technologies	●		●
GMO Internet			●
Kao			●
Lifenet Insurance Company	●		●
M3		●	●
mixi		●	
MS&AD Insurance	●		●
Nintendo		●	
Outsourcing			●
Pola Orbis			●
Raksul		●	●
Recruit Holdings		●	●
SBI Holdings		●	●
SoftBank Group			●
Sumitomo Metal Mining	●	●	
Sumitomo Mitsui Trust Bank	●	●	
Tokyo Tatemono			●

DENSO

Following previous engagement with DENSO where we encouraged more ambition on their climate targets, this year, we decided to **abstain on the chair re-appointment (Koji Arima)** as a sign of the importance we place on ambitious climate targets at DENSO.

We have decided on this action for the following reasons:

- We suggested improvements to their climate targets 2 years ago, and with their current plan in flight, we would have to wait 2 more years for action.
- Demonstrating a high level of ambition is linked to the investment case, as we want DENSO to be more ambitious than the Toyota group, something we are currently not seeing. Large (ex-Toyota) customers, such as Ford and Stellantis, have now set science-based targets and will be seeking the same from their suppliers.
- Lagging climate targets and lack of ambition to tackle climate issues was one reason to sell out of Toyota Motors. We therefore view engagement to set ambitious targets as an important element of stewardship with DENSO.

We met with DENSO in Japan following the vote. The company thanked us for our contributions regarding the importance of sustainability issues and shared how management was interested in continued efforts to improve. DENSO acknowledged the importance of aligning its emissions reduction targets with that of its customers and discussed the approach being taken by business areas supporting Internal Combustion Engine demand. This was useful to understand given the need to maximise value from these business areas whilst ensuring a shift to electric vehicles does not leave these segments stranded. Ultimately, we were pleased to note that DENSO has received verification of its short-term emission reduction targets from the Science Based Targets initiative.

Sumitomo Metal Mining

We met with the president of Sumitomo Metal Mining (SMM), Akira Nozaki, to discuss their future growth prospects, approaches to new projects, and their views on employment and labour conditions in Japan.

We began by exploring the opportunities for SMM's mining extraction business, focusing on electrification, mobility, and the development of electricity grid networks as key drivers for copper demand. Gaining insight into the company's ambition in this area was valuable, as it showcases the opportunities they are exploring within the energy transition.

One area we felt it would be important to explore was labour management. This considers the health and safety impact the company has as well as SMM's social licence to operate. We were interested to hear how SMM was upgrading the efficiency of sites and its use of automation to improve safety and reduce workplace injury incidents. It was encouraging to hear that they were addressing health and safety as a long-term challenge, building solutions into new projects that sought to improve health and safety performance. Mr Nozaki also shared that the company was building goodwill with local governments and communities in Japan by ensuring continued employment opportunities after closing mining sites by building manufacturing sites nearby.

Mining is an industry often associated with environmental damage. We wanted to explore the ways in which SMM considered this risk. Mr Nozaki shared that they are seeking extraction projects with higher purity ore, and lower waste-to-ore ratios. These projects can result in cost advantages but also have the potential to produce more value with lower environmental costs. Mr Nozaki also acknowledged the importance of recycling materials (such as nickel and cobalt) to ensure long-term access to finite resources. This is a new area for SMM, so it will be useful to monitor how it scales.

We shared our perspective that operating in a way that considers value and the environment is a key component of reducing reputational risk. Mr Nozaki acknowledged the significance of this point.

Proxy Voting

The Company has given discretionary voting powers to Baillie Gifford. Baillie Gifford believes that ‘active ownership’ of its clients’ holdings is as important as selecting the right investments in the first instance. These guidelines are aligned with its stewardship principles and describe Baillie Gifford’s approach to proxy voting and company engagement, the key levers of active ownership, often described as ‘stewardship’.

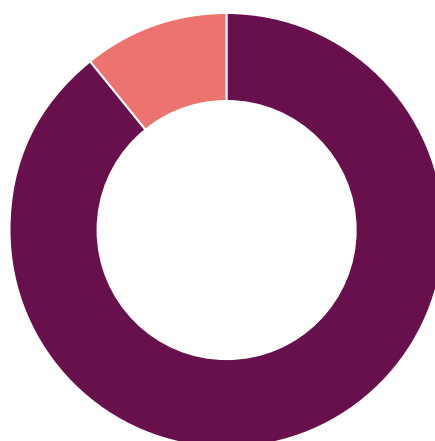
While these guidelines are intended to provide an insight into how Baillie Gifford approaches voting on its clients’ behalf, it is important to note that every company is individually assessed. In voting, proposals will always be evaluated on a case-by-case basis, based on what Baillie Gifford believes to be in the best long-term interests of its clients, rather than rigidly applying a policy.

A broad cross section of Baillie Gifford’s investment staff are involved in its ongoing work on stewardship. In the same way that the investment approach is based around empowered and independent teams, voting and engagement is led by the individual investment teams. In keeping with a decentralised and autonomous culture, investment teams will, on occasion, elect to vote differently on the same general meeting resolutions. Where this happens, it is reported accordingly in the proxy voting disclosure on the website. Baillie Gifford also has clear processes in place to identify, prevent and manage potential proxy voting related conflicts of interest to ensure that in all cases the firm acts in the clients’ best interest. Baillie Gifford’s firm-wide conflict of interest disclosure is available on its website.

Prior to taking any voting action, specific ESG concerns are usually addressed by engaging directly with the company, using voting as an escalation mechanism if sufficient progress has not been seen.

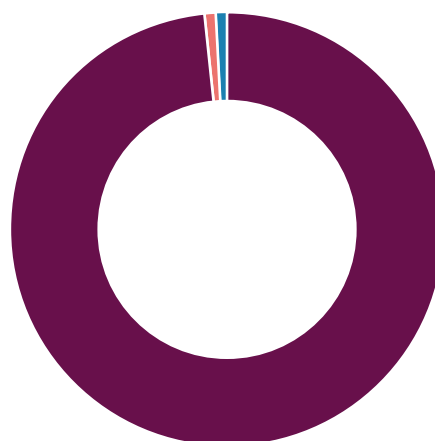
An example of Baillie Gifford’s approach to proxy voting can be found on page 31.

Company Meeting Record



● Number of meetings voted with management	59
● Number of meetings with at least one against, withhold or abstain	7

Voting Distribution



● Number of votes for	98.5%
● Number of votes against	0.9%
● Number of votes abstain	0.6%

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 published the Company's first TCFD Report as of December 2022 which is available on the Company's website at japantrustplc.co.uk. This report is a means by which the portfolio's carbon footprint and exposure to climate risk are measured and reported. Companies disclosing their emissions and communicating emissions plans will be a helpful place from which to begin more useful discussions with management teams, industry experts and regulators. Although this can direct our efforts, the Managers believe that carbon footprint metrics in isolation are unhelpful – that some firms pollute more than others is a mostly meaningless observation. More significant is the Managers' pursuit of long-term growth opportunities which typically involves investment in entrepreneurial, disruptive and technology-driven businesses. These companies are often capital-light with a low carbon footprint. More information on climate change is available on the Company's website at japantrustplc.co.uk. An external provider was engaged to map the carbon intensity of The Baillie Gifford Japan Trust's portfolio which is estimated to be 74.8% lower than the index (TOPIX Index) and is based on 98.7% of the value of the Company's equity portfolio which reports on carbon emissions and other carbon related characteristics.

The Managers, Baillie Gifford & Co, are signatories to the Carbon Disclosure Project, the Net Zero Asset Managers initiative and are also members of the Asian Corporate Governance Association and the International Corporate Governance Network.

Business Review

Business Model

Business and Status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital, although, subject to shareholder approval sought annually, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand.

The Company has been approved as an investment trust by HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011.

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

Objective and Policy

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

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

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

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

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

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

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

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

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

A detailed analysis of the Company's Investment Portfolio is set out on pages 16 to 22 and in the Managers' Review and Review of Investments on pages 8 to 15.

Culture

As an externally managed investment company with no employees, Baillie Gifford Japan's culture is expressed through its Board and its third party service providers, in particular its Managers, in their interactions with shareholders and other stakeholders. The Board's assessment of its own interactions is described in its Section 172 Statement on pages 42 to 44 and the Baillie Gifford Statement on Stewardship, which describes the Managers' culture of constructive engagement, which can be found on the Managers' website: [bailliegifford.com](https://www.bailliegifford.com).

Borrowings

Facility	Lender	Maturing	2023	2022
¥9,300 million	ING Bank N.V.	November 2024	£50,413 million	£57,655 million
¥15,000 million	Bank of New York Mellon	August 2025	£81,311 million	-

The main covenants relating to the loans are that total borrowings shall not exceed 30% of the Company's net asset value and the Company's minimum net asset value shall be ¥48,545,000,000 (£315,000,000). There were no breaches of loan covenants during the year. Further details can be found in note 12 on page 89.

Currency Hedging

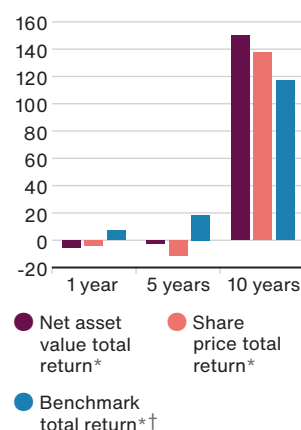
It is extremely difficult to predict currency movements and currencies can appear cheap or expensive for long periods of time. The Board remains of the view that it will not engage in currency hedging.

Key Performance Indicators

The Board uses key performance indicators (KPIs) to measure the progress and performance of the Company over time when discharging its duties as set out on page 55. These KPIs are established industry measures.

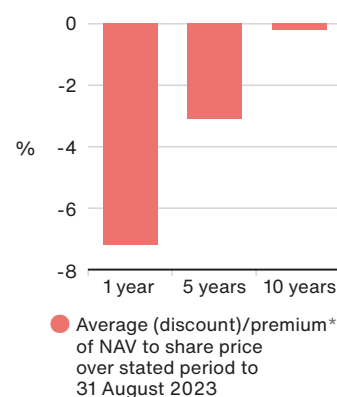
Share price, net asset value and benchmark total returns*

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



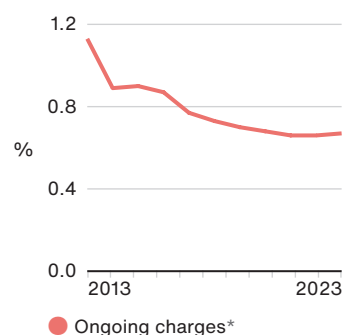
Share price premium/(discount)*

As stock markets and share prices vary, an investment trust's share price is rarely the same as its net asset value (NAV). When the share price is lower than the NAV per share it is said to be trading at a discount. If the share price is higher than the NAV per share, this situation is called a premium.



Ongoing charges*

Ongoing charges are the total recurring expenses (excluding the Company's cost of dealing in investments and borrowing costs) incurred by the Company as a percentage of the daily average net asset value.



The Board also has regard to the total return of the Company's principal comparative index (TOPIX Total Return (in sterling terms)) and considers the performance of comparable companies. Across these measures, the Board looks for relative outperformance over the long term, while remaining mindful that the nature of the investment policy and the growth characteristics of the portfolio investments may entail periods of underperformance over the short and medium term.

* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 107 and 108.

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

Past performance is not a guide to future performance.

Viability Statement

Notwithstanding that the continuation vote of the Company is subject to the approval of shareholders annually, the Directors have, in accordance with provision 31 of the UK Corporate Governance Code, assessed the prospects of the Company over a period of five years from the Balance Sheet date. The Directors continue to believe this period to be appropriate as it reflects the Company's longer term investment strategy and to be a period during which, in the absence of any adverse change to the regulatory environment and to the tax treatment afforded to UK investment trusts, they do not expect there to be any significant change to the current principal and emerging 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 have no reason to believe that the continuation resolution will not be passed at the Annual General Meeting.

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 38 to 41, and in particular the impact of market risk where a significant fall in Japanese equity markets would adversely impact the value of the investment portfolio. Specific leverage and liquidity stress testing was conducted during the year, including consideration of the risk of further market deterioration resulting from the war in Ukraine and increasing geopolitical tensions. The Company's investments are listed and readily realisable and can be sold to meet its liabilities as they fall due with the main liability currently being the bank borrowings. The Company's primary third party suppliers including its Managers and Secretaries, Depositary and Custodian, Registrar, Auditor and Broker are not experiencing significant operational difficulties affecting their respective services to the Company. 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.

The Board has considered the Company's leverage and liquidity in the context of its borrowings. The leverage stress testing identified the impact of leverage in scenarios where gross assets fall by 25% and 50%, reflecting a range of market conditions that may adversely impact the portfolio. The liquidity stress testing identified the reduction in value of assets that can be liquidated within one month that would result in the value of those assets falling below the value of the borrowings. The stress testing did not indicate any matters of concern.

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.

Principal and Emerging Risks

As explained on pages 59 and 60 there is an ongoing process for identifying, evaluating and managing the risks, including emerging 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, solvency or liquidity. There have been no material changes to the principal risks during the year. Baillie Gifford's Business Risk Department provides regular updates covering the Company's principal and emerging risks. A description of these risks and how they are being managed or mitigated is set out below.

The Board considers the current global economic environment to be a factor which exacerbates existing risks, rather than new emerging risks. Their impact is considered within the relevant risks.

Investment and Strategic Risks

Financial risk

What is the risk?

The Company's assets consist of listed securities and its principal financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 19 to the Financial Statements and on pages 91 to 94.

How is it managed?

The Board has, in particular, considered the impact of heightened market volatility due to macroeconomic factors such as inflation, interest rates and geopolitical concerns. To mitigate this risk the Board considers various portfolio metrics including individual stock performance, the composition and diversification of the portfolio by growth category, purchases and sales of investments, the holding period of each investment, liquidity characteristics and the top and bottom contributors to performance. The Manager provides rationale for stock selection decisions. A strategy meeting is held annually.

The value of the Company's investment portfolio would be affected by any impact, positively or negatively, on sterling but such impact would be partially offset by the effect of exchange movements on the Company's yen denominated borrowings.



Current assessment of risk

This risk is seen as increasing due to increased volatility as a result of macroeconomic factors including increasing energy prices, interest and inflation rates.

Investment strategy risk

What is the risk?

Pursuing an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or the ineffective implementation of an attractive or appropriate strategy, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company's shares. This may lead to the Company's shares trading at a widening discount to their net asset value.

How is it managed?

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.



Current assessment of risk

This risk is increasing as the market's appetite for growth stocks, typically held by the Company, has decreased during the recent period of heightened macroeconomic and geopolitical concern.

Discount risk

What is the 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.

How is it managed?

The Board monitors the level of premium/discount at which the shares trade and the Company has authority to issue new shares or buy back its existing shares when deemed by the Board to be in the best interests of the Company and its shareholders.



Current assessment of risk

The Company's shares traded at an average discount of 7.2% throughout the year and it bought back 851,845 ordinary shares during the year.



Increasing Risk



Decreasing Risk



No Change

Smaller company risk

What is the 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.

How is it managed?

To mitigate this risk, the Board reviews the investment portfolio at each meeting and discusses the investment case and portfolio weightings with the Managers. A spread of risk is achieved by holding a minimum of 40 stocks.



Current assessment of risk

Due to increased market volatility resulting from macroeconomic factors, share prices may be subject to greater volatility.

Climate and governance risk

What is the risk?

Perceived problems on environmental, social and governance ('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 Managers 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. In addition, the valuation of investments could be impacted by climate change.

How is it managed?

This is mitigated by the Investment Manager's ESG stewardship and engagement policies application, which is integrated into the investment process, as well as the extensive upfront and ongoing due diligence which the Investment Manager undertakes on each investee company. This includes the risk inherent in climate change (see page 33). The Directors have considered the impact of climate change on the Financial Statements of the Company and this is included in note 1a to the Financial Statements on page 84.



Current assessment of risk

The Investment Manager continues to employ strong ESG stewardship and engagement policies.

Leverage risk

What is the 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.

How is it managed?

To mitigate this risk, all borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. Covenant levels are monitored regularly. The Company has a maximum equity gearing level of 30% of shareholders' funds. The Company's investments are in listed securities that are readily realisable. Further information on leverage can be found on page 108 and in the Glossary of Terms and Alternative Performance Measures on page 107 and 108.



Current assessment of risk

This risk is seen as increasing due to global falls in company valuations.



Increasing Risk



Decreasing Risk



No Change

External Risks

Regulatory risk

What is the risk?

Failure to comply with applicable legal and regulatory requirements such as the tax rules for investment 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 and the Company being subject to tax on capital gains. Changes to the regulatory environment could negatively impact the Company.

How is it managed?

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.



Current assessment of risk

All control procedures are working effectively. There have been no material regulatory changes that have impacted the Company during the year.

Political and associated economic risk

What is the risk?

Political change in areas in which the Company invests or may invest may have practical consequences for the Company.

How is it managed?

To mitigate this risk, developments are closely monitored and considered by the Board and are regularly discussed at Board meetings.



Current assessment of risk

This risk is increasing as Governments and consumers around the world continue to assess the impact of geopolitical tensions, increasing inflation and interest rates.

Operational Risks

Custody and depositary risk

What is the risk?

Safe custody of the Company's assets may be compromised through control failures by the Depositary, including cyber security incidents.

How is it managed?

To mitigate this risk, the Audit Committee receives six monthly reports from the Depositary confirming safe custody of the Company's assets held by the Custodian. Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers. The Custodian's audited internal controls reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated. In addition, the existence of assets is subject to annual external audit.



Current assessment of risk

Control procedures working effectively with no interruption to Depositary or Custodian services during the year.



Increasing Risk



Decreasing Risk



No Change

Reliance on third party service provider risk

What is the 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.

How is it managed?

To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption or major disaster. The Audit Committee reviews Baillie Gifford's Report on Internal Controls and the reports by other key third party service 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.



Current assessment of risk

Control procedures are working effectively with no interruption to Depository, Custodian, Broker or Registrar services during the year.

Cyber security risk

What is the 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.

How is it managed?

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 reports 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.



Current assessment of risk

This risk is seen as increasing due to recent indications that the continuation of geopolitical tensions could lead to cyber attacks. Emerging technologies, including AI, could potentially increase information security risks. In addition, service providers operate a hybrid approach of remote and office working, thereby increasing the potential of a cyber security threat.

Emerging Risks

As explained on pages 59 and 60, the Board has regular discussions on principal and emerging risks, including any risks which are not an immediate threat but could arise in the longer term. The Board considers emerging risks at each Board meeting and discusses any mitigations required.



Increasing Risk



Decreasing Risk



No Change

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, having regard to Baillie Gifford Japan Trust being an externally managed investment company with no employees, the Board considers the Company's key stakeholders to be: its existing and potential new shareholders; its externally-appointed Managers and Secretaries (Baillie Gifford); its portfolio companies; other professional service providers (corporate broker, registrar, Auditors and depositary); lenders; and wider society and the environment.

The Board considers that the interests of the Company's key stakeholders are aligned, in terms of wishing to see the Company deliver sustainable long-term capital growth, in line with the Company's stated objective and strategy, and meet the highest standards of legal, regulatory, and commercial conduct, with the differences between stakeholders being merely a matter of emphasis on those elements.

Stakeholder	Why we engage	How we engage and what we do
Shareholders	Shareholders are, collectively, the Company's owners: providing them with a return for their investment in accordance with the Company's investment policy and objective is the reason for its existence.	The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the Board and Managers to present to shareholders on the Company's performance, future plans and prospects. It also allows shareholders the opportunity to meet with the Board and Managers and raise questions and concerns. The Chairman is available to meet with shareholders as appropriate. The Managers meet regularly with shareholders and their representatives, reporting their views back to the Board. Directors also attend certain shareholder presentations, in order to gauge shareholder sentiment first hand. Shareholders may also communicate with members of the Board at any time by writing to them at the Company's registered office or to the Company's broker. 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.
Baillie Gifford – Managers and Secretaries	The Company's Board has delegated the management of the Company's portfolio, and the administration of the Company's operations including fulfilment of regulatory and taxation reporting requirements, to Baillie Gifford.	The Board seeks to engage with its Managers, and other service providers, in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, while also ensuring that appropriate and regular challenge is brought and evaluation conducted. This approach aims 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, and by maintaining the highest standards of business conduct.

Stakeholder	Why we engage	How we engage and what we do
Portfolio companies	As all of the Company's operations are conducted by third party professional providers, it is the companies held in its investment portfolio which have the primary real-world impact in terms of social and environmental change, both positively and negatively, as well as generating, through their commercial success, the investment growth sought by the Company's shareholders.	The Board is cognisant 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 Baillie Gifford Japan Trust's aim of providing a sustainable basis for adding value for shareholders. The Board's review of the Managers includes an assessment of their ESG approach and its application in making investment decisions. Information on how the Managers engage with investee companies can be found on pages 30 to 33.
Service providers • Broker • Depositary • Custodian • Registrar	The Company's third party service providers ensure the Company's day-to-day operations run smoothly.	The Board ensures that it promotes the success of the Company by engaging third party services providers who have the resources to deliver the service required. The service providers report regularly to the Board throughout the year and the Managers also engage regularly with the providers and inform the Board should any areas of concern arise. The Management Engagement Committee carries out a review annually of the level of services delivered by each service provider and the terms on which they are engaged. The Board seeks assurance that there has been no disruption to services provided to the Company during the year.
Auditor	The Company's Auditor has a responsibility to provide an opinion on whether the Company's Financial Statements as a whole are free from material misstatement, as set out in more detail in the Auditor's Report to the Members on pages 72 to 78.	The Company's Auditor meets with the Audit Chair and the Board, in the absence of the Managers where deemed necessary, and the Managers undertake to provide all information requested by the Auditor in connection with the Company's annual audit promptly and to ensure that it is complete and accurate in all respects.
Lenders	Banks provide fixed, floating or revolving credit facilities to the Company and have an interest in the Company's ongoing financial health and viability.	The Company's legal advisers review all legal agreements in connection with the Company's loans and advise the Board on the appropriateness of the terms and covenants. The Managers and Secretaries ensure compliance with lenders' covenants and maintain a good working relationship.
AIC/industry peers	The Association of Investment Companies ('AIC') and the Company's investment trust industry peers have an interest in the Company's conduct and performance, as adverse market sentiment towards one investment trust can affect attitudes towards the wider industry.	The Company is a member of the AIC, and the Directors and/or the Managers and Secretaries (as appropriate) participate in technical reviews, requests for feedback on proposed legislation or regulatory developments, corporate governance discussions and/or training.
Investment platforms	Investment platforms provide an interface with shareholders who invest in the Company indirectly.	The Managers liaise with the various investment platforms on strategies for improving communications with the Company's shareholders who hold their shares via these platforms. An annual timetable of key dates is published on the Company's website, for the ease of reference of such shareholders.
Wider society and the environment	No entity, corporate or otherwise, can exist without having an influence on the society in which it operates or utilising the planet's resources. Through its third party relationships, as noted above, the Company seeks to be a positive influence and, in circumstances where that is not possible, to mitigate its negative impacts insofar as is possible.	The Board and Managers' interactions with the various stakeholders as noted above comprise the principal forms of direct engagement with wider society and in respect of the environment (commercial, financial, and in terms of planetary health and resources).

The Board recognises the importance of keeping the interests of the Company and its stakeholders, in aggregate, firmly front of mind in its key decision making. The Company Secretaries are available at all times 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 required the Directors to have regard to applicable section 172 factors included:

- undertaking a recruitment process and subsequently appointing Ms Patricia Lewis as a Director with effect from 1 August 2023 (see page 58). This appointment is consistent with the AIC Corporate Governance Code principle that 'a successful company is led by an effective board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society';
- arranging a two year ¥15,000 million floating rate facility with The Bank of New York Mellon to replace the SMBC Europe Limited facility of ¥12,200 million which matured in August 2023 and repay ¥1,700 million of the revolving credit facility with Mizuho Bank Ltd. The replacement loan will maintain the level of gearing of the Company which the Board believes will enhance long term returns to shareholders;
- the purchase of 851,845 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;
- between 1 September and 30 October 2023, the purchase of 1,205,000 shares, at a discount, enhancing net asset value for continuing shareholders; and,
- the Board's decision to declare a final dividend of 10p per ordinary share.

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no disclosures to be made in respect of employees, human rights and community issues. Further information on the Company's approach to environmental, social and governance ('ESG') matters is provided on pages 30 and 31.

Modern Slavery Act

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.

Gender Representation

At 31 August 2023, the Board comprises five Directors, two male and three female. The Company has no employees. The Board's policy on diversity is set out on page 58.

Future Developments of the Company

The outlook for the Company for the next 12 months is set out in the Chairman's Statement on page 7 and the Managers' Review on page 10.

The Strategic Report which comprises pages 5 to 44 was approved by the Board of Directors and signed on its behalf on 1 November 2023.

David Kidd
Chairman

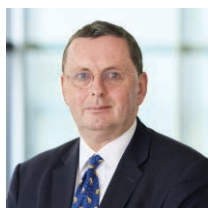


Governance Report

This Governance Report, which includes pages 47 to 70 outlines the Board's approach to the governance of your Company. We believe that good governance builds better outcomes and we are committed to high standards of corporate governance and transparency.

Directors and Management

Directors

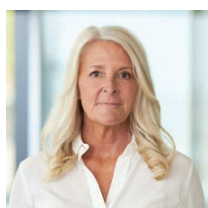


David Kidd

Chairman

Appointed 2015

David Kidd was appointed a Director in 2015 and became Chairman in June 2022. He has almost 40 years investment experience in the City, in the roles of chief investment officer and independent professional trustee. He is also chair of Trustees, ABRSM Pension Scheme, senior independent director of Mid Wynd International Investment Trust PLC and a director of The Golden Charter Trust.

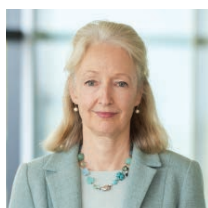


Sharon Brown

Director

Appointed 2019

Sharon Brown was appointed a Director in 2019. She is Chair of the Audit Committee and a qualified accountant. She is currently a director and audit committee chair of European Opportunities Trust plc and Celtic plc. She was previously finance director of Dobbies Garden Centres plc and a director of McColl's Retail Group plc, Fidelity Special Values plc and a number of unlisted companies in the retail sector.

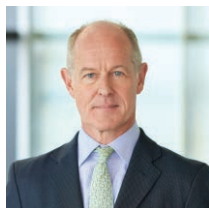


Joanna Pitman

Director

Appointed 2018

Joanna Pitman was appointed a Director in 2018 and appointed Senior Independent Director in June 2022. She is Chair of the Remuneration Committee. She read Japanese Studies at Cambridge University and speaks Japanese. She was Tokyo Bureau Chief of The Times from 1989 to 1994 and has since worked as a corporate research analyst focused on Japan. She is vice chair of the Great Britain Sasakawa Foundation and UK chair of SAIDIA.

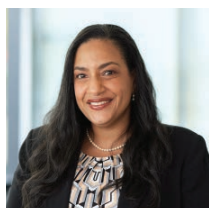


Sam Davis

Director

Appointed 2021

Sam Davis was appointed a Director in 2021. He is Chair of the Management Engagement Committee. Sam studied Japanese at Oxford before joining Morgan Grenfell & Co. Ltd, working initially in corporate finance in both London and Tokyo. He moved to Morgan Grenfell Asset Management in 1996 to work with a Tokyo-based team. In 2000 he joined Putnam Investments first in Boston, MA and then in London where, over his 19 year tenure, he managed Asian, European and broad international equity portfolios. As Putnam's co-head of equities he oversaw a global investment team and was CEO of Putnam Investments Ltd, the group's UK regulated entity.



Patricia Lewis

Director

Appointed
August 2023

Patricia Lewis was appointed a Director on 1 August 2023. She is a financial services executive with 25 years' experience advising clients globally in investment and capital management. Most recently, she held the position of Managing Director and Head of EMEA Loans and Special Situations Sales at Bank of America Merrill Lynch. She is also a director of Snowball Impact Management Ltd.

All Directors are members of the following Committees: Nomination, Remuneration and Management Engagement. With the exception of David Kidd, all are members of the Audit Committee. No Director holds a Directorship in common with another member of the Board.

Portfolio Managers



Matthew Brett

Manager

Matthew is an Investment Manager in the Japanese Equities Team. He joined Baillie Gifford in 2003 and became a Partner of Baillie Gifford in 2018. He has managed The Baillie Gifford Japan Trust since 2018. Matthew has managed the Japanese All Cap Strategy since 2008 and is Co-Manager of the Japanese Income Growth Strategy.

Matthew graduated BA (Hons) in Natural Sciences (Psychology) from the University of Cambridge in 2000 and holds a PhD in Psychology from the University of Bristol.



Praveen Kumar

Deputy Manager

Praveen joined Baillie Gifford in 2008 and is an Investment Manager in the Japanese Equities Team. He became Deputy Manager of The Baillie Gifford Japan Trust in 2018. Praveen is also the Manager of Baillie Gifford Shin Nippon and the Baillie Gifford Japanese Smaller Companies Fund, and a founding member of the Baillie Gifford International Smaller Companies Strategy. He previously worked for FKI Logistex as a management consultant. Praveen graduated BEng in Computer Science from Bangalore University in 2001 and gained an MBA from the University of Cambridge in 2008.

Directors' Report

The Directors present their Report together with the Financial Statements of the Company for the year to 31 August 2023.

Corporate Governance

The Corporate Governance Report is set out on pages 55 to 61 and forms part of this Report.

Managers and Company Secretaries

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages thirteen closed-ended investment companies. Baillie Gifford also manages open-ended investment companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford total around £202.3 billion at 30 October. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 57 partners and employees of around 1,800.

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 and Baillie Gifford & Co are both authorised and regulated by the Financial Conduct Authority. Baillie Gifford & Co Limited has delegated portfolio management and 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.

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.

The Investment Management Agreement between the AIFM and the Company sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Management

Agreement is terminable on not less than 6 months' notice or on shorter notice in certain circumstances. Compensation would only be payable if termination occurred prior to the expiry of the notice period. Careful consideration has been given by the Board as to the basis on which the management fee is charged. The Board considers that maintaining a relatively low ongoing charges ratio is in the best interests of shareholders. The Board is also of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence over the long term performance. The annual management fee is 0.75% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets, calculated and payable quarterly.

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

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

Depositary

The Bank of New York Mellon (International) Limited has been appointed as the Company's Depositary in accordance with the requirements of the UK Alternative Investment Fund Managers ('AIFM') Regulations.

The Company's Depositary also acts as the Company's Custodian. 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.

Directors

Information about the Directors, including their relevant experience, can be found on pages 47 and 48.

Patricia Lewis was appointed to the Board on 1 August 2023 and is required to seek election by shareholders at the Annual General Meeting. All other Directors will retire at the Annual General Meeting and offer themselves for re-election. Following formal performance evaluation, the Chairman confirms that the Board considers that each Director's performance continues to be effective and that they remain 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 its Directors. The deeds which were in force during the year to 31 August 2023 and up to the date of approval of this report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him/her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

The Company maintains Directors' and Officers' liability insurance.

Conflicts of Interest

Each Director submits a list of potential conflicts of interest for consideration prior to each Board meeting and also annually to the Nomination Committee. The Board and Nomination Committee consider these carefully, taking into account the circumstances surrounding them and confirms whether or not the potential conflicts should be authorised. 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.

Dividends

The Board recommends a final dividend of 10p per ordinary share. If approved, the recommended final dividend will be paid on 20 December 2023 to shareholders on the register at the close of business on 17 November 2023. The ex-dividend date is 16 November 2023. A dividend reinvestment plan ('DRIP') is available to shareholders who would prefer to invest their dividends in the shares of the Company. For those shareholders electing to receive the DRIP, the last date for receipt of the election is 29 November 2023.

The ordinary shares carry a right to receive dividends. Interim dividends are determined by the Directors, whereas the proposed final dividend is subject to shareholder approval.

Share Capital

Capital Structure

The Company's capital structure consists of 93,047,614 ordinary shares of 5p each at 31 August 2023 (2022 – 93,899,459). At 31 August 2023,

1,280,595 shares were held in treasury (2022 – 428,750). There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares.

Capital Entitlement

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

Voting

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

Information on the deadlines for proxy appointments can be found on pages 99 and 100.

Major Interests Disclosed in the Company's Shares

Name	No. of ordinary 5p shares held at 31 August 2023	% *
Quilter plc (indirect)	4,873,872	5.2
1607 Capital Partners LLC (indirect)	4,783,535	5.1
Investec Wealth and Investment Limited (indirect)	4,673,961	5.0
Brewin Dolphin Limited (indirect)	4,635,012	5.0
Rathbones Investment Management Ltd (indirect)	3,412,614	3.7

In the period from 31 August 2023 to 30 October 2023, the Company was notified that Quilter plc (indirect) held 8,660,214 shares (9.4% of shares in issue as at 30 October 2023) and Rathbones Investment Management Ltd (indirect), which merged with Investec Wealth and Investment Limited on 21 September 2023, held 9,053,564 shares (9.9% of shares in issue as at 30 October 2023). There have been no other changes to the major interests in the Company's shares intimated up to 30 October 2023.

* Ordinary shares in issue excluding treasury shares.

Analysis of Shareholders at 31 August

	2023 Number of shares held	2023 %	2022 Number of shares held	2022 % *
Institutions	26,161,102	28.1	19,303,305	20.6
Intermediaries/ Retail savings Platforms	66,177,792	71.1	73,660,571	78.4
Individuals	451,669	0.5	564,995	0.6
Marketmakers	257,051	0.3	370,588	0.4
	93,047,614	100.0	93,899,459	100.0

* Ordinary shares in issue excluding treasury shares.

Share Issuance Authority

At the last Annual General Meeting, the Directors were granted authority to issue shares up to an aggregate nominal amount of £468,288.07 and to issue shares or sell shares held in treasury on a non pre-emptive basis for cash up to an aggregate nominal amount of £468,288.07. These authorities are due to expire at the Annual General Meeting on 12 December 2023.

Resolution 13 in the Notice of Annual General Meeting seeks to renew the Directors' general authority to issue shares up to an aggregate nominal amount of £459,213.07. This amount represents 10% of the Company's total ordinary share capital in issue at 30 October 2023 and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 13 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 14, which is proposed as a special resolution, seeks to provide the Directors with authority to issue shares or sell shares held in treasury on a non pre-emptive basis for cash (i.e. without first offering such shares to existing shareholders pro-rata to their existing holdings) up to an aggregate nominal amount of £459,213.07 (representing 10% of the issued ordinary share capital of the Company as at 30 October 2023). The authorities sought in Resolutions 13 and 14 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 this Resolution, if earlier.

Such authorities will only be used to issue shares or re-sell shares from treasury at a premium to net asset value and only when the Directors believe that it would be in the best interests of the Company to do so. The Directors believe that the ability to buy back shares at a discount and re-sell them or issue new shares at a premium are useful tools in smoothing supply and demand.

Market Purchases of Own Shares

At the last Annual General Meeting, the Company was granted authority to purchase up to 14,039,276 ordinary shares (equivalent to 14.99% of its issued share capital), such authority to expire at the 2023 Annual General Meeting. The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases up to 13,767,208 ordinary shares representing approximately 14.99% of the Company's ordinary shares in issue, excluding treasury shares, 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.

During the year to 31 August 2023, 851,845 shares were bought back at a cost of £6,372,000 and held in treasury (2022 – 428,750 shares were bought back at a cost of £3,262,000 and held in treasury). Between 1 September and 30 October 2023, the Company bought back 1,205,000 shares into treasury at a cost of £8,209,000. 2,485,595 shares were held in treasury as at 30 October 2023.

The principal reasons for share buy-backs are:

- to enhance net asset value for continuing shareholders by purchasing shares at a discount to the prevailing net asset value; and
- to address any imbalance between the supply of and the demand for the Company's shares that results in a discount of the quoted market price to the published net asset value per share.

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

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

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

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

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

- 5 per cent above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
- the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy back programmes and stabilisation of financial instruments (No. 2273/2003).

The minimum price (exclusive of expenses) that may be paid will be 5p per share. Purchases of shares will be made within guidelines established, from time to time, by the Board. Your attention is drawn to Resolution 15 in the Notice of Annual General Meeting. This authority, if conferred, will only be exercised if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders and if it is considered in the best interests of shareholders generally.

Directors' Fee Limit

The Company's Articles of Association provide that Directors' fees may not exceed £200,000 per annum in aggregate, or such larger amount as may be agreed by the Company by ordinary resolution.

Articles of Association

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

Continuation of the Company

The Company's Articles of Association give shareholders the right to vote annually at the Annual General Meeting of the Company on whether to continue the Company. The Directors wish to draw your attention to Resolution 12 in the Notice of Annual General Meeting, which proposes that the Company continues in operation until the 2024 Annual General Meeting.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 19 to the Financial Statements.

Disclosure of Information to Auditor

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

Independent Auditor

The Auditor, Ernst & Young LLP, is willing to continue in office and in accordance with section 489(1) of the Companies Act 2006, resolutions concerning Ernst & Young LLP's appointment and remuneration will be submitted to the Annual General Meeting.

Post Balance Sheet Events

The Directors confirm that there have been no significant post Balance Sheet events up to 30 October 2023.

Greenhouse Gas Emissions and Streamlined Energy and Carbon Reporting ('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.

On behalf of the Board
David Kidd
Chairman
1 November 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](https://www.frc.org.uk), and the relevant principles of the Association of Investment Companies Code of Corporate Governance (the 'AIC Code') issued in 2019 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 Financial Reporting Council ('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 Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code except that the Company does not have a separate internal audit function, as explained on page 66. Given that the Company is an externally managed investment trust, the Board considers the provisions relating to the role of the chief executive and executive-directors remuneration are not relevant.

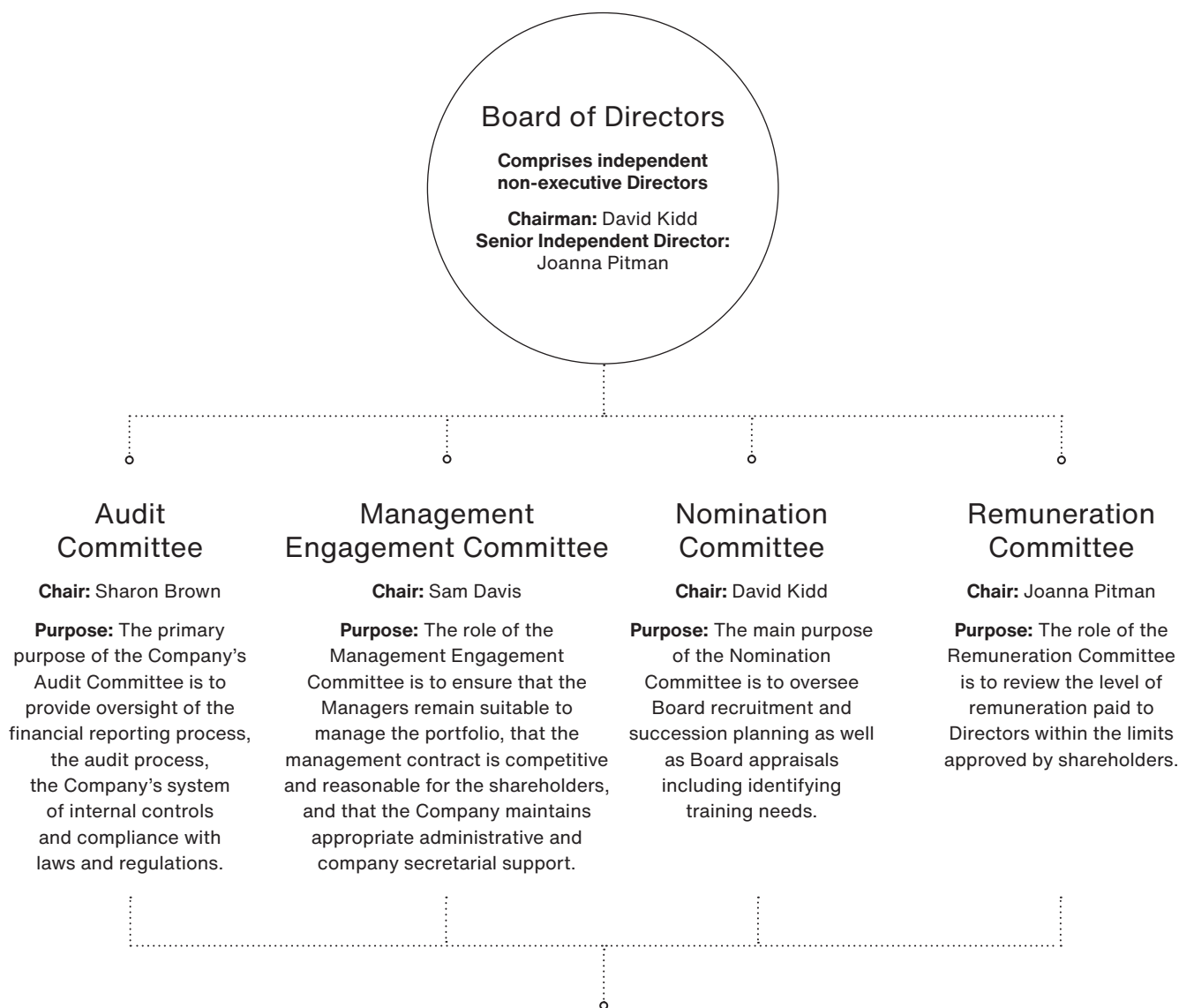
The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters formally reserved for its approval including strategy, investment policy, currency hedging, gearing, treasury matters, dividend and corporate governance policy. A separate strategy session is held annually. The Board also reviews the Financial Statements, investment transactions, revenue budgets and performance of the Company. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

At 31 August 2023, the Board comprises five Directors, all of whom are non-executive. The Chairman, Mr David Kidd, is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

The Senior Independent Director ('SID') is Ms Joanna Pitman, and as such, is available to shareholders if they have concerns not properly addressed by the Chairman. The SID leads the Chairman's appraisal and chairs the Nomination Committee when it considers the Chairman's succession.

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.



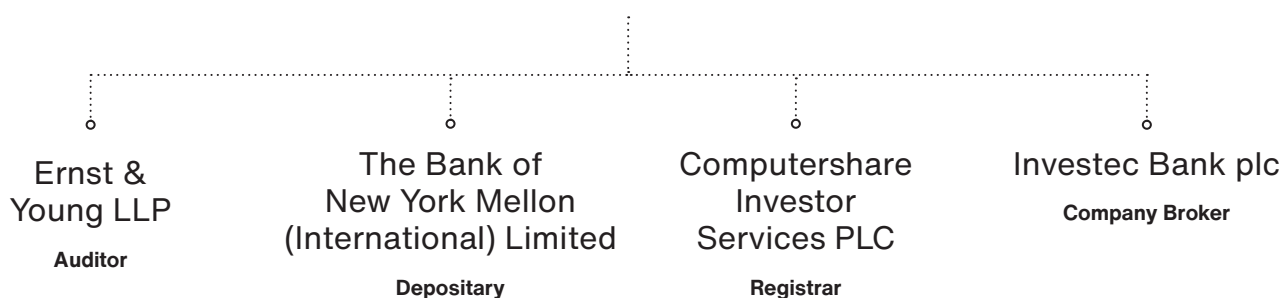
Key Third Party Service Providers Appointed by the Board

Alternative Investment Fund Manager and Company Secretary:

Baillie Gifford & Co Limited (wholly owned subsidiary of Baillie Gifford & Co)

Dealing activity and transaction reporting:

Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited



The Directors believe that the Board has a balance of skills and experience that enables it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on pages 47 and 48.

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

Appointments to the Board

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

Under the provisions of the Company's Articles of Association, a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. In accordance with the Code, all Directors are subject to annual re-election by shareholders.

Chairman and Directors' Tenure

It is the Board's policy that all Directors, including the Chairman, shall normally have tenure limited to nine years from their first appointment to the Board. Exceptions may be made in particular circumstances, for example to facilitate effective succession planning or if the Company were in the middle of a corporate action, when an extension may be appropriate.

Independence of Directors

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

The Directors recognise the importance of succession planning for company boards and review the Board composition annually.

The Board is of the view that length of service will not necessarily compromise the independence or contribution of Directors of an investment trust company, where continuity and experience can be a benefit to the Board. The Board concurs with the view expressed in the AIC Code that long serving Directors should not be prevented from being considered independent.

Meetings

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

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee	Remuneration Committee	Management Engagement Committee
Number of meetings	5	2	1	1	1
David Kidd*	5	-	1	1	1
Sharon Brown	5	2	1	1	1
Sam Davis	5	2	1	1	1
Patricia Lewis†	1	-	-	-	-
Joanna Pitman	5	2	1	1	1

* David Kidd ceased to be a member of the Audit Committee when he was appointed Chairman of the Board in June 2022 but attends by invitation.

† Appointed a Director 1 August 2023.

Nomination Committee

The Nomination Committee consists of the whole Board and the Chairman of the Board is the Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference which include reviewing the composition of the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, succession planning and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not the potential conflicts should be authorised.

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

Board Diversity

Appointments to the Board are made on merit with due regard for the benefits of diversity including gender, social and ethnic backgrounds, and cognitive and personal strengths. The priority in succession planning and appointing new Directors is to identify the candidate with the best range of skills and experience to complement 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 criteria.

The Board has considered the Company's year end date to be the most appropriate date for disclosure purposes. At 31 August 2023, the Board comprised five non-executive Directors, two men and three women.

Gender	Number	%	Senior roles *
Men	2	40	1
Women	3	60	2

Ethnic background	Number	%	Senior roles *
White	4	80	3
Black/African/Caribbean/ Black British	1	20	-

* As an externally managed investment company with no chief executive officer or chief financial officer, the roles which qualify as senior under FCA guidance are Chairman and Senior Independent Director ('SID'). The Chairman is a man and the SID a woman. The Board also considers the role of Audit Committee Chair to represent a senior role within this context and this role is performed by a woman.

The Board currently complies in all respects with the FCA Listing Rules targets.

Board Composition

The Committee reviewed the Board's composition and succession planning during the year and engaged an external search consultancy, Fletcher Jones, to recruit an additional non-executive Director to maintain the broad range of experience that is particularly valuable when supporting and challenging the Managers. Fletcher Jones has no other connection with the

Company or any of the Directors. Fletcher Jones was specifically tasked with considering the promotion of diversity on the Board as an integral part of the recruitment process, having regard to the skills, experience and knowledge of each of the existing and prospective Directors and with particular regard to the Parker Review recommendations. Following the conclusion of the process, it was announced on 16 June 2023 that Ms Patricia Lewis would be appointed to the Board with effect from 1 August 2023. The Board believes that Ms Lewis' knowledge and experience will be of great benefit to the Company and is satisfied that, after reviewing her other commitments, she will be able to devote sufficient time to the Company. The Board recognises the importance of having Directors with a range of skills and experiences balancing the benefits of length of service and knowledge of the Company with the desirability of ensuring refreshment of the Board.

Performance Evaluation

An appraisal of the Chairman, each Director and a performance evaluation and review of the Board as a whole and its Committees was carried out during the year. After inviting each Director and the Chairman to consider and respond to an evaluation questionnaire, each Director met with the Chairman and the Chairman's appraisal was led by Ms Pitman, the Senior Independent Director. The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors, the overall competency and effectiveness of the Board and its Committees and the continuing professional development undertaken by the Directors during the year.

Following this process, it was concluded that the performance of each Director, the Chairman, the Board and its Committees continues to be effective and that each Director and the Chairman remain committed to the Company. A review of the Chairman's and other Directors' commitments was carried out and the Nomination Committee was satisfied that they are capable of devoting sufficient time to the Company.

Lintstock, an independent company which assists companies with the design and execution of board evaluations, facilitated an external performance evaluation in 2022. It is intended that the evaluation will again be externally facilitated in 2025.

Induction and Training

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

Management Engagement Committee

The Management Engagement Committee consists of all Directors and Sam Davis is Chair of the Committee. The Board considers each member of the Committee to be independent. To discharge its duties, the Committee met on one occasion during the year to consider: the performance and suitability of the Manager; the terms and conditions of the AIFM Agreement, including fees; the performance of other third party service providers; and the Committee's Terms of Reference.

The Committee's Terms of Reference are available on request from the Company and on the Company's pages of the Managers' website: japantrustplc.co.uk.

Remuneration Committee

The Remuneration Committee consists of all Directors and Joanna Pitman is the Chair of the Committee. The Remuneration Committee reviews and makes recommendations to the Board in respect of the level of remuneration paid to Directors within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 62 to 65.

The Committee's Terms of Reference are available on request from the Company and on the Company's page of the Managers' website: japantrustplc.co.uk.

Audit Committee

The report of the Audit Committee is set out on pages 66 to 68.

Internal Controls and Risk Management

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

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

The practical measures in relation to the design, implementation and maintenance of control policies and procedures to safeguard the Company's assets and to manage its affairs properly, including the maintenance of effective operational and compliance controls have been delegated to the Managers and Secretaries.

The Board oversees the functions delegated to the Managers and Secretaries and the controls managed by the AIFM in accordance with the UK 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 – Assurance Reports on Controls at a Service Organisation. This report is independently reviewed by Baillie Gifford & Co's Auditor and a copy of the report 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's 'Guidance in the Risk Management, Internal Control and Related Financial and Business Reporting' and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review and up to the date of this Report.

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

To comply with the UK Alternative Investment Fund Managers Regulations, The Bank of New York Mellon (International) Limited acts as the Company's Depositary, and Baillie Gifford & Co Limited as AIFM.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. As explained on page 51, the Company's Depositary also acts as the Company's Custodian. The Custodian prepares a report on its key controls and safeguards which is independently reviewed by KPMG LLP, as the Custodian's report Auditor. The reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns are investigated.

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

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 103), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing are escalated to the AIFM and reported to the Board along with remedial measures being taken.

Going Concern

In accordance with FRC'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 are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 19 to the Financial Statements.

The Board has considered severe but plausible downside scenarios, which include the impact of heightened market volatility over recent months due to macroeconomic and geopolitical concerns, including rising inflation and interest rates and the continuation of geopolitical tensions, through the performance of stress testing using a variety of parameters which have the potential to impact the Company's share price and net asset value. The Directors do not believe the Company's going concern status is affected. In addition, in accordance with the Company's Articles of Association, the Company is subject to an annual continuation vote which in previous years has been passed with a significant majority. The Directors have no reason to believe that the vote will not continue to be in favour based on their assessment of the Company's performance and the views collated from shareholders. For these reasons the Directors have prepared the Financial Statements on a going concern basis.

The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis.

During the year, the Company entered into a 2 year ¥15,000 million floating rate loan facility with Bank of New York Mellon. The 3 year ¥12,200 million fixed rate loan facility with SMBC was repaid upon expiry on 29 August 2023 and the ¥1,700 million tranche drawn down under the ¥2,600 million revolver loan facility with Mizuho was repaid on 30 August 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.

The Company's third party suppliers, including its Managers and Secretaries, Custodian and Depository, Registrar, Auditor and Broker are not experiencing significant operational difficulties affecting their respective services to the Company.

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 37 which assesses the prospects of the Company over a period of five years, that the Company will meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these Financial Statements. If the continuation resolution is not passed, the Articles provide that the Directors shall convene a General Meeting within three months at which a special resolution will be proposed to wind up the Company voluntarily. If the Company is wound up, its investments may not be realised at their full market value.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders and their representatives, accompanied by the Chairman when requested and report shareholders' views to the Board.

The Chairman is available to meet with shareholders as appropriate. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the Company's registered office or through the Company's broker, Investec Bank plc (see contact details on page 109).

The Company's Annual General Meeting ('AGM') 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 japantrustplc.co.uk subsequent to the meeting. The notice period for the AGM is at least twenty working days. Shareholders and potential investors may obtain up-to-date information on the Company from the Managers' website at japantrustplc.co.uk.

On behalf of the Board
David Kidd
Chairman
1 November 2023

Directors' Remuneration Report

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

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. As the Remuneration Policy was last approved by shareholders at the Annual General Meeting in December 2020, shareholders' approval of the policy is being sought at the forthcoming Annual General Meeting. Your attention is drawn to Resolution 2 in the Notice of Annual General Meeting on page 97. The policy for which approval is being sought is set out below and is unchanged from that currently in force.

The Board reviewed the level of fees during the year and it was agreed that, with effect from 1 September 2023, the Chairman's fee would be increased from £40,000 to £43,000, the other Directors' fees would be increased from £29,000 to £31,000 and that the additional fee for the Chair of the Audit Committee would be increased from £5,000 to £6,000. The fees were last increased on 1 September 2022.

Directors' Remuneration Policy

The determination of the Directors' fees is a matter considered by the Remuneration Committee and recommended to the Board for approval.

The Board and its Committees are composed wholly of non-executive Directors, none of whom has a service contract with the Company. Baillie Gifford & Co Limited, the Company Secretaries, provide comparative information when the Board considers the level of Directors' fees.

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. The Board believes that the fees paid to the Directors should reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by

comparable investment trusts. Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Board's policy on remuneration.

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

Limits on Directors' Remuneration

The fees for the non-executive Directors are payable monthly and are determined within the limit set out in the Company's Articles of Association which is currently £200,000 per annum in aggregate.

The fees paid to Directors in respect of the year ended 31 August 2023 and the expected fees payable in respect of the year ending 31 August 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 the year ending 31 August 2024 £	Fees as at 31 August 2023 £
Chairman's fee	43,000	40,000
Non-executive Director fee	31,000	29,000
Additional fee for Audit Committee Chair	6,000	5,000
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	200,000	200,000

Annual Report on Remuneration

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

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 72 to 78.

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, 99.85% were in favour, 0.08% were against and votes withheld were 0.07%. At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (December 2020), 99.8% were in favour, 0.1% were against and votes withheld were 0.1%.

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 £
David Kidd†	40,000	3,384	43,384	29,500	691	30,191
Sharon Brown	34,000	627	34,627	31,000	564	31,564
Sam Davis#	29,000	3,294	32,294	24,750	792	25,542
Patricia Lewis‡	2,417	-	2,417	-	-	-
Joanna Pitman	29,000	2,792	31,792	27,000	815	27,815
Keith Falconer¶	-	-	-	27,750	-	27,750
Martin Paling§	-	-	-	9,000	166	9,166
	134,417	10,097	144,514	149,000	3,028	152,028

* Comprises expenses incurred by Directors in the course of travel to attend Board and Committee meetings.

† Appointed Chairman 1 June 2022.

Appointed a Director 1 October 2021.

‡ Appointed a Director 1 August 2023.

¶ Deceased May 2022.

§ Retired 16 December 2021.

Annual Percentage Change in Directors' Remuneration

The following table sets out the annual percentage change in Directors' fees for the past 3 years from 1 September 2020 to 31 August 2023.

Name	Year ended 31 August 2023 %	Year ended 31 August 2022 %	Year ending 31 August 2021 %
David Kidd*	35.6	13.5	0.0
Sharon Brown†	9.7	5.1	11.8
Sam Davis#	17.2	-	-
Patricia Lewis‡	-	-	-
Joanna Pitman	7.4	3.8	0.0

* Appointed Chairman 1 June 2022.

† Appointed Audit Chair 5 December 2019.

Appointed a Director 1 October 2021.

‡ Appointed a Director 1 August 2023.

Directors' Interests (Audited)

The Directors at the end of the year under review, and their interests in the Company, are shown in the following table. There have been no further changes intimated in the Directors' interests up to 30 October 2023.

Name	Nature of interest	Ordinary 5p shares held at 31 August 2023	Ordinary 5p shares held at 31 August 2022
David Kidd	Beneficial	42,500	42,500
Sharon Brown	Beneficial	3,995	3,995
Sam Davis	Beneficial	5,059	5,002
Patricia Lewis*	Beneficial	-	-
Joanna Pitman	Beneficial	5,262	5,262

* Patricia Lewis purchased 5,100 ordinary shares on 28 September 2023.

Relative Importance of Spend on Pay

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

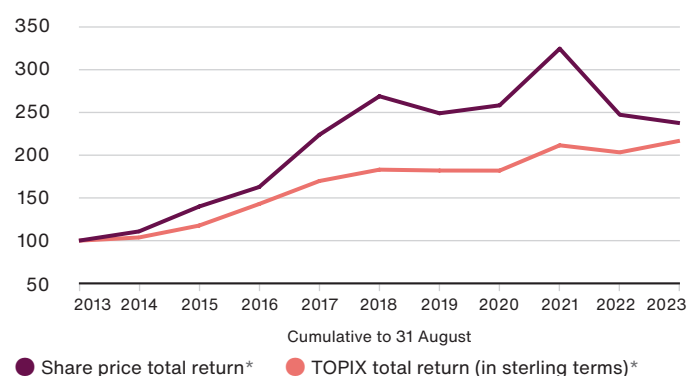
Name	2023 £	2022 £	% change
Directors' fees	134	149	(10.1)
Dividends paid to shareholders	8,426	5,660	48.9

Company Performance

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

Performance Graph

(figures rebased to 100 at 31 August 2013)



● Share price total return* ● TOPIX total return (in sterling terms)*

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 103.

* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 107 and 108.

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 62 to 65 was approved by the Board of Directors and signed on its behalf on 1 November 2023.

Joanna Pitman
Remuneration Committee Chair

Audit Committee Report

The Audit Committee consists of all Directors with the exception of Mr Kidd, who attends by invitation. Mrs Brown is Chair of the Audit Committee. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. The Committee's authority and duties are clearly defined within its written terms of reference which are available on request from the Company Secretaries and at japantrustplc.co.uk. The terms of reference are reviewed annually.

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

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

Main Activities of the Committee

The Committee met two times during the year and Ernst & Young, the external Auditor, attended both of these meetings. In addition Ernst & Young met with the Audit Chair on two occasions during the year. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes for each of 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;
- 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 including the internal audit work of the Manager;
- the reappointment, remuneration and terms of engagement of the external Auditor;
- the policy on the engagement of the external Auditor to supply non-audit services;
- the independence and objectivity of the external Auditor and the effectiveness of the audit process;
- the need for the Company to have its own internal audit function;
- the internal controls reports received from the Managers and Custodian; and
- the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Internal Audit

The Committee continues to believe that the compliance and internal control systems and the internal audit function in place within the Investment Managers provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

Financial Reporting

The Committee considers that the most significant areas of risk likely to impact the Financial Statements are the existence and valuation of investments, as they represent 99.3% of total assets. Another area of risk considered by the Committee is the accuracy and completeness of income from investments.

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

The value of all the investments at 31 August 2023 were agreed by the Managers to external price sources and the portfolio holdings agreed to confirmations from the Company's Custodian.

The Committee reviewed the Managers' Report on Internal Controls which details the controls in place regarding completeness and accurate recording of investment income. The accounting treatment of each special dividend received or receivable during the year was reviewed by the Managers.

The Committee considered the factors, including increasing geopolitical tensions, that might affect the Company's viability over a period of five years and its ability to continue as a going concern for at least twelve months from the date of signing of the Financial Statements, together with reports from the Managers on the cash position and cash flow projections of the Company, the liquidity of its investment portfolio, compliance with debt covenants, availability of borrowing facilities, and the Company's ability to meet its obligations as

they fall due. The Committee also reviewed the Viability Statement on page 37 and statement on Going Concern on pages 60 and 61. Following this assessment, the Committee recommended to the Board the appropriateness of the Going Concern basis in preparing the Financial Statements and confirmed the accuracy of the Viability Statement and statement on Going Concern.

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 59 and 60. No significant weaknesses were identified in the year under review.

External Auditor

Following a formal audit tender process in 2022, Ernst & Young LLP was appointed as the Company's Auditor at the Annual General Meeting held on 15 December 2022.

Ernst & Young LLP has confirmed that it believes it is independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired.

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

- the audit plan for the current year;
- a report from the Auditor describing their arrangements to manage Auditor independence and received confirmation of its independence; and

- the extent of non-audit services provided by the external Auditor. The Auditor will not provide any non-audit services unless approved by the Committee. There were no non-audit fees for the year to 31 August 2023 or 31 August 2022.

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 Managers on the performance of the audit team; and
- the Audit Quality Review from the FRC.

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

- the Auditor's engagement letter;
- the Auditor's proposed audit strategy;
- the audit fee; and
- a report from the Auditor on the conclusion of the audit.

The audit partner responsible for the audit will be rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. Ms Caroline Mercer, the current partner, has held this role for one year and will continue as audit partner until the conclusion of the 2027 audit.

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.

The audit fee has increased from £42,000 to £49,000. There continues to be significant change in the regulatory environment with additional audit procedures now being required. The Committee considered the increase by benchmarking fees for similar trusts and agreed the increase was justified.

Regulatory Compliance

The Committee confirms that the Company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance of tenders for the appointment of the external Auditor and the setting of policy on the provision of non-audit services.

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 69 to 78.

On behalf of the Board
Sharon Brown
Audit Committee Chair
1 November 2023

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 applicable law and United Kingdom Accounting Standards, including FRS 102, the Financial Reporting Standard Applicable in the UK and Republic of Ireland.

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

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

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

Under applicable laws and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the Financial Statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The Auditor's Report on these Financial Statements provides no assurance over the ESEF format.

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

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

We confirm to the best of our knowledge:

- the Financial Statements, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic Report and Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

We consider the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board
David Kidd
1 November 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 Auditors does not involve consideration of these matters and accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial Report

The Financial Statements for the year to 31 August 2023 set out on pages 79 to 94 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Independent Auditor's Report

to the members of The Baillie Gifford Japan Trust PLC

Opinion

We have audited the Financial Statements of Baillie Gifford Japan Trust plc ("the Company") for the year ended 31 August 2023 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 August 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

Conclusions Relating to Going Concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirmation of our understanding of the Company's going concern assessment process and engaged with the Directors and the Company secretary to determine if all key factors that we have become aware of during our audit were considered in their assessment.
- Inspection of the Directors' assessment of going concern, including the revenue forecast, for the period to 30 November 2024 which is at least twelve months from the date the Financial Statements were authorised for issue. In preparing the revenue forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.

- Review of the factors and assumptions, including the impact of the current economic environment, as applied to the revenue forecast and the liquidity assessment of the investments. We considered the appropriateness of the methods used to calculate the revenue forecast and the liquidity assessment and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised were appropriate to be able to make an assessment for the Company.
- Assessment of the risk of breaching the debt covenants as a result of a reduction in the value of the Company's portfolio. We calculated reviewed the Company's compliance with debt covenants, validated the inputs used to the underlying information and we performed reviewed reverse stress testing in order to identify what factors would lead to the Company breaching the financial covenants.
- Consideration of the mitigating factors included in the revenue forecast and covenant calculations that are within the control of the Company. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments in order to cover working capital requirements should revenue decline significantly.
- Reviewed analysis of the shareholder base; voting results of previous AGMs to establish voting patterns; and obtained feedback from the Company's shareholders and brokers on their assessment of expected voting intentions for the continuation vote to be held at the AGM in 2023.
- Review of the Company's going concern disclosures included in the Annual Report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 30 November 2024.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this Report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of our Audit Approach

Key audit matters	Risk of incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement. Risk of incorrect valuation or ownership of the investment portfolio
Materiality	Overall materiality of £7.33m which represents 1% of shareholders' funds.

An Overview of the Scope of our Audit

Tailoring the Scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the Financial Statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Climate Change

Stakeholders have been increasingly interested as to how climate change will impact companies. The Company has determined that the impact of climate change could affect the Company's investments and the overall investment process. This is explained on page 39 in the principal and emerging risks section, which form part of the "Other information," rather than the audited Financial Statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially consistent with the Financial Statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the Financial Statements as set out in Note 1a and concluded that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing as required by FRS 102. We also challenged the Directors' considerations of climate change in their assessment of viability and associated disclosures.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included

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. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement</p> <p>Refer to the Audit Committee Report (page 67); Accounting policies (page 84); and Note 2 of the Consolidated Financial Statements (page 85)</p> <p>The total revenue for the year to 31 August 2023 was £18.7m (2022: £20.1m), consisting primarily of dividend income from listed equity investments.</p> <p>The investment income receivable by the Company during the year directly affects the Company's revenue return. There is a risk of incomplete or inaccurate recognition of revenue through the failure to recognise proper income entitlements or to apply an appropriate accounting treatment.</p> <p>In addition, the Directors may be required to exercise judgment in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital' in the Income Statement.</p>	<p>We have performed the following procedures:</p> <p>We obtained an understanding of Baillie Gifford's processes and controls surrounding revenue recognition including the classification of special dividends by performing walkthrough procedures.</p> <p>For all dividends received and accrued, we recalculated the dividend income by multiplying the investment holdings at the ex-dividend date, traced from the accounting records, by the dividend per share, which was agreed to an independent data vendor. For all dividends received and those accrued within two weeks of year end, we also agreed amounts to bank statements.</p> <p>For all dividends accrued, we reviewed the investee Company announcements to assess whether the dividend obligations arose prior to 31 August 2023.</p> <p>To test completeness of recorded income, we verified that dividends had been recorded for each investee Company held during the year with reference to investee Company announcements obtained from an independent data vendor.</p> <p>For all investments held during the year, we reviewed the type of dividends paid with reference to an external data source to identify those which were 'special' dividends.</p> <p>We performed a review of the income and acquisition and disposal reports produced by Baillie Gifford to identify all special dividends received and accrued during the period. We confirmed four special dividends were received during the year, consistent with the dividends recognised by Baillie Gifford. For a sample of two special dividends received, we assessed the appropriateness of Baillie Gifford's classification as revenue for these distributions by reviewing the underlying rationale for the distribution.</p>	<p>The results of our procedures identified no material misstatement in relation to the risk of incomplete or inaccurate revenue recognition, including incorrect classification of special dividends as revenue or capital items in the Income Statement.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Risk of incorrect valuation or ownership of the investment portfolio</p> <p>Refer to the Audit Committee Report (page 67); Accounting policies (page 84); and Note 9 of the Consolidated Financial Statements (page 88)</p> <p>The valuation of the investment portfolio at 31 August 2023 was £858.5 million (2022: £930.4 million) consisting of listed equities.</p> <p>The valuation of investments held in the investment portfolio is the key driver of the Company's net asset value and total return.</p> <p>Incorrect investment pricing, or failure to maintain proper legal title of the investments held by the Company, could have a significant impact on the portfolio valuation and the return generated for shareholders.</p> <p>The fair value of listed investments is determined using listed market bid prices at close of business on the reporting date.</p>	<p>We have performed the following procedures:</p> <p>We obtained an understanding of Baillie Gifford's processes and controls surrounding investment valuation and legal title by performing walkthrough procedures.</p> <p>For all investments in the portfolio, we compared the market prices and exchange rates applied to an independent pricing vendor and recalculated the investment valuations as at the year end.</p> <p>We reviewed the prices for all investments in the portfolio to identify prices that have not changed within five business days of year end to verify whether the listed price is a valid fair value. Our testing did not identify any prices which had not changed within the 5 days and in addition, no stale prices were identified by Baillie Gifford.</p> <p>We compared the Company's investment holdings at 31 August 2023 to independent confirmations received directly from the Company's Depository.</p>	<p>The results of our procedures identified no material misstatements in relation to the risk of incorrect valuation or ownership of the investment portfolio.</p>

In the prior year, our predecessors Audit Report did not include a key audit matter in relation to Incomplete or inaccurate revenue recognition, including the classification of special dividends as revenue or capital items in the Income Statement. We deem this to be a key audit matter due to the risks identified above.

Our Application of Materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be £7.33m, which is 1% of shareholders funds. We believe that shareholders funds' provides us with a materiality aligned to the key measure of the Company's performance.

In the prior year, the predecessor Auditor determined materiality for the Company to be £9.3m, which was 1% of gross assets.

Performance Materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely £5.50m. We have set performance materiality at this percentage due to our experience of working with the manager and administrator of the Company that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for investment trusts, we also applied a separate testing threshold for the revenue column of the Income Statement of £0.59m.

Reporting Threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.37m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other Information

The other information comprises the information included in the annual report, other than the Financial Statements and our Auditor's Report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other Matters Prescribed by the Companies Act 2006

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

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

- the information given in the strategic report and the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the strategic report and Directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are Required to Report by Exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 60 and 61;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 37;

- Directors' statement on whether it has a reasonable expectation that the company will be able to continue in operation and meets its liabilities set out on page 37;
- Directors' statement on fair, balanced and understandable set out on pages 69 and 70;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 37;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 59 and 60; and;
- The section describing the work of the Audit Committee set out on pages 66 to 68

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 69 and 70, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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 an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Explanation as to what Extent the Audit was Considered Capable of Detecting Irregularities, Including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006, the Listing Rules, UK Corporate Governance Code, the Association of Investment Companies' Code and Statement of Recommended Practice, Section 1158 of the Corporation Tax Act 2010 and The Companies (Miscellaneous Reporting) Regulations 2018.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of Board minutes and the Company's documented policies and procedures within the Financial Statements.
- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by considering the key risks impacting the Financial Statements. We identified a fraud risk with respect to the incomplete or inaccurate revenue recognition through incorrect classification of special dividends as revenue or capital items in the Income Statement. Further discussion of our approach is set out in the section on key audit matters above.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the Financial Statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at www.frc.org.uk/Auditorsresponsibilities.

This description forms part of our Auditor's Report.

Other Matters we are Required to Address

- Following the recommendation from the Audit Committee, we were appointed by the Company on 15 December 2022 to audit the Financial Statements for the year ending 31 August 2023 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is one year, covering the year ending 31 August 2023.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our Report

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.

Caroline Mercer (Senior statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Edinburgh
1 November 2023

Income Statement

For the Year Ended 31 August

	Notes	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Losses on investments	9	-	(70,082)	(70,082)	-	(174,357)	(174,357)
Currency gains	14	-	17,005	17,005	-	8,222	8,222
Income	2	18,707	-	18,707	20,075	-	20,075
Investment management fee	3	(4,448)	-	(4,448)	(4,802)	-	(4,802)
Other administrative expenses	4	(688)	-	(688)	(742)	-	(742)
Net return before finance costs and taxation		13,571	(53,077)	(39,506)	14,531	(166,135)	(151,604)
Finance costs of borrowings	5	(1,869)	-	(1,869)	(1,866)	-	(1,866)
Net return before taxation		11,702	(53,077)	(41,375)	12,665	(166,135)	(153,470)
Tax	6	(1,870)	-	(1,870)	(2,004)	-	(2,004)
Net return after taxation		9,832	(53,077)	(43,245)	10,661	(166,135)	(155,474)
Net return per ordinary share	7	10.52p	(56.79p)	(46.27p)	11.31p	(176.19p)	(164.88p)

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 the Company does not have any other comprehensive income and the net return after taxation is both the profit and total comprehensive income for the year.

The accompanying notes on pages 83 to 94 are an integral part of the Financial Statements.

Balance Sheet

As at 31 August

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Fixed assets					
Investments	9		858,486		930,354
Current assets					
Debtors	10	1,811		2,185	
Cash and cash equivalents	19	6,030		11,017	
		7,841		13,202	
Creditors					
Amounts falling due within one year	11	(1,641)		(94,895)	
Net current assets/(liabilities)			6,200		(81,693)
Total assets less current liabilities			864,686		848,661
Creditors					
Amounts falling due after more than one year	12		(131,723)		(57,655)
Net assets			732,963		791,006
Capital and reserves					
Share capital	13, 14		4,717		4,717
Share premium account	14		213,902		213,902
Capital redemption reserve	14		203		203
Capital reserve	14		496,965		556,414
Revenue reserve	14		17,176		15,770
Shareholders' funds			732,963		791,006
Net asset value per ordinary share	15		787.7p		842.4p

The Financial Statements of The Baillie Gifford Japan Trust PLC (Company registration number SC075954) on pages 79 to 94 were approved and authorised for issue by the Board and were signed on 1 November 2023.

David Kidd
Chairman

Statement of Changes in Equity

For the Year Ended 31 August 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 September 2022		4,717	213,902	203	556,414	15,770	791,006
Shares bought back	13, 14	-	-	-	(6,372)	-	(6,372)
Net return on ordinary activities after taxation	14	-	-	-	(53,077)	9,832	(43,245)
Dividends paid in the year	8	-	-	-	-	(8,426)	(8,426)
Shareholders' funds at 31 August 2023		4,717	213,902	203	496,965	17,176	732,963

For the Year Ended 31 August 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 September 2021		4,717	213,902	203	725,811	10,769	955,402
Shares bought back	13, 14	-	-	-	(3,262)	-	(3,262)
Net return on ordinary activities after taxation	14	-	-	-	(166,135)	10,661	(155,474)
Dividends paid in the year	8	-	-	-	-	(5,660)	(5,660)
Shareholders' funds at 31 August 2022		4,717	213,902	203	556,414	15,770	791,006

The accompanying notes on pages 83 to 94 are an integral part of the Financial Statements.

Cash Flow Statement

For the Year Ended 31 August

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation		(41,375)		(153,470)	
Net losses on investments	9	70,082		174,357	
Currency gains	14	(17,005)		(8,222)	
Finance costs of borrowings	5	1,869		1,866	
Overseas withholding tax		(1,912)		(1,996)	
Changes in debtors and creditors		373		(284)	
Cash from operations			12,032		12,251
Interest paid			(1,961)		(1,827)
Net cash inflow from operating activities			10,071		10,424
Cash flows from investing activities					
Acquisitions of investments		(99,512)		(197,244)	
Disposals of investments		101,483		145,489	
Net cash inflow/(outflow) from investing activities			1,971		(51,755)
Cash flows from financing activities					
Shares bought back		(7,926)		(1,709)	
Equity dividends paid	8	(8,426)		(5,660)	
Bank loans drawn down		107,124		16,189	
Bank loans repaid		(106,131)		-	
Net cash (outflow)/inflow from financing activities			(15,359)		8,820
Decrease in cash and cash equivalents			(3,317)		(32,511)
Exchange movements			(1,670)		(761)
Cash and cash equivalents at start of period	19		11,017		44,289
Cash and cash equivalents at end of period*			6,030		11,017

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

Cash from operations includes dividends received of £19,122,000 (2022 – £19,993,000) and interest received of £3,000 (2022 – nil).

The accompanying notes on pages 83 to 94 are an integral part of the Financial Statements.

Notes to the Financial Statements

The Baillie Gifford Japan Trust PLC (the 'Company') was incorporated under the Companies Act 2006 in Scotland as a public limited company with registered number SC075954. 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.

01 Principal Accounting Policies

The Financial Statements for the year to 31 August 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.

The Financial Statements have also been prepared in accordance with the Companies Act 2006, 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.

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 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will be retained. The Board has, in particular, considered the impact of heightened market volatility and macroeconomic and geopolitical concerns, including rising inflation and interest rates. It has reviewed the results of specific leverage and liquidity stress testing and does not believe the Company's going concern status is affected. In addition, the Company is subject to an annual continuation vote which in previous years has been passed with a significant majority. The Directors have no reason to believe that the vote will not continue to be in favour based on their assessment of the Company's performance and the views collated from shareholders. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis.

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) (Tax) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Depositary and Custodian, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company.

In preparing these Financial Statements, the Directors have considered the impact of climate change risk as a principal risk set out on page 39, and have concluded that it does not have a material impact on the Company's investments. The Directors consider the impact of climate change on the value of the investments included in the Financial Statements to already include the impact in their prices as the investments are quoted on a stock exchange.

Accordingly, the Financial Statements have been prepared on a 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 37 which assesses the prospects of the Company over a period of five years, that the Company will continue in operational existence until 30 November 2024, which is for a period of at least twelve months from the date of approval of these Financial Statements.

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

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

The Directors consider the Company's functional and presentation currency to be sterling, (see consideration in accounting policy (j)), as the Company's shareholders are predominantly based in the UK, the Company pays its dividends and expenses in sterling and the Company and its Investment Manager, who are subject to the UK's regulatory environment, are also UK based.

b. Financial Instruments

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.

Purchases and sales of investments are recognised on a trade date basis.

Investments in securities are initially recognised at fair value which is taken to be their cost excluding expenses incidental to purchases, and are subsequently measured at fair value through profit and loss. The fair value of listed investments is the last traded price which is equivalent to the bid price on Japanese markets. 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. Special dividends are treated as repayments of capital or income depending on the facts of each particular case.
- iii. If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital.
- iv. Interest from fixed interest securities is recognised on an effective yield basis (none were held in the period).
- v. Overseas dividends include withholding tax deducted at source.
- vi. Interest receivable on bank deposits is recognised on an accruals basis.

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 (transaction costs), in which case they are recognised as capital within gains/losses on investments. 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

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

h. Foreign Currencies

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

i. Capital Reserve

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

j. Significant Estimates and Judgements

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

The Directors consider that the preparation of the Financial Statements involves the following key judgements:

- (i) the functional currency of the Company is sterling (see rationale in 1(a) above); and
- (ii) the determination as to whether special dividends should be treated as a repayment of capital or income depending on the facts of each particular case.

Although the Company invests in yen denominated investments, it has been determined that the functional currency is sterling as the entity is listed on a sterling stock exchange in the UK, and its share capital is denominated, and its expenses and dividends are paid, in sterling.

02 Income

	2023 £'000	2022 £'000
Income from investments		
Overseas dividends	18,704	20,073
Other income		
Deposit interest	3	2
Total income	18,707	20,075

Special dividends received during the year amounted to £471,000 (2022 – £66,000) with £471,000 (2022 – £66,000) classed as revenue and nil (2022 – nil) classed as capital.

03 Investment Management Fee – All Charged to Revenue

	2023 £'000	2022 £'000
Investment management fee	4,448	4,802

Details of the Investment Management Agreement are disclosed on page 50.

04 Other Administrative Expenses – All Charged to Revenue

	2023 £'000	2022 £'000
General administrative expenses	238	220
Directors' fees	134	149
Depositary fees	96	155
Marketing*	74	71
Custody charges	73	84
Auditor's remuneration for audit services (excluding VAT)	49	42
Registrar fees	24	21
	688	742

* The Company is part of a marketing programme which includes all the Investment Trusts managed by the Manager. The marketing strategy has an ongoing objective to stimulate demand for the Company's shares. The cost of this marketing strategy is borne in partnership by the Company and the Manager. The Manager matches the Company's marketing contribution and provides the resource to manage and run the programme.

There were no non-audit fees paid to the Auditor during the year (2022 – nil).

05 Finance Costs of Borrowings

	2023 £'000	2022 £'000
Interest on bank loans	1,869	1,866

The bank loan interest disclosed includes £38,000 (2022 – £58,000) paid in respect of yen deposits held at the custodian bank.

06 Tax on Ordinary Activities

	2023 £'000	2022 £'000
Analysis of charge in year		
Overseas taxation	1,870	2,004
Factors affecting tax charge for year		
The tax assessed for the year is lower than the average standard rate of corporation tax in the UK of 21.515%* (2022 – 19%). The differences are explained below:		
Net return on ordinary activities before taxation	(41,375)	(153,470)
Net return multiplied by the average standard rate of corporation tax in the UK of 21.515%* (2022 – 19.00%)	(8,900)	(29,159)
Effects of:		
Capital returns not taxable	11,420	31,566
Income not taxable	(4,024)	(3,814)
Overseas withholding tax	1,870	2,004
Taxable losses in year not utilised	1,504	1,407
Tax charge for the year	1,870	2,004

* This is a blended rate based on the increased rate of UK corporation tax effective from 1 April 2023.

Factors that may affect Future Tax Charges

At 31 August 2023 the Company had surplus management expenses and losses on non-trading loan relationships of £19,448,000 (2022 – £17,699,000) which have not been recognised as a deferred tax asset. This is because the Company is not expected to generate taxable income in a future period in excess of the deductible expenses of that future period and, accordingly, it is unlikely that the Company will be able to reduce future tax liabilities through the use of existing surplus expenses. The potential deferred tax asset has been calculated using a corporation tax rate of 25% (2022 – 19%). On 3 March 2021, the UK Government announced its intention to increase the rate of UK corporation tax from 19% to 25% from 1 April 2023 and this was subsequently substantively enacted on 24 May 2021.

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

07 Net Return Per Ordinary Share

	2023 Revenue	2023 Capital	2023 Total	2022 Revenue	2022 Capital	2022 Total
Net return per ordinary share on ordinary activities after taxation	10.52p	(56.79p)	(46.27p)	11.31p	(176.19p)	(164.88p)

Revenue return per ordinary share is based on the net revenue profit after taxation of £9,832,000 (2022 – net revenue profit of £10,661,000) and on 93,451,827 (2022 – 94,292,038) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

Capital return per ordinary share is based on the net capital loss for the financial year of £53,077,000 (2022 – net capital loss of £166,135,000) and on 93,451,827 (2022 – 94,292,038) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

Total return per ordinary share is based on the total loss for the financial year of £43,245,000 (2022 – total loss of £155,474,000) and on 93,451,827 (2022 – 94,292,038) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

There are no dilutive or potentially dilutive shares in issue.

08 Ordinary Dividends

Set out below is the dividend proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution out of current year profits by way of dividend for the year is £9,832,000. The revenue reserve and the capital reserve (to the extent it constitutes realised profits) are distributable by way of dividend.

	2023	2022	2023 £'000	2022 £'000
Amounts recognised as distributions in the year:				
Previous year's final dividend (paid 21 December 2022)	9.00p	6.00p	8,426	5,660
Dividends paid and payable in respect of the year:				
Current year's proposed final dividend (payable 20 December 2023)	10.00p	9.00p	9,305 *	8,426

* Based on ordinary shares in issue at 31 August 2023.

09 Investments

	2023 £'000	2022 £'000
Financial assets		
Listed equity investments	858,486	930,354
Total financial asset investments	858,486	930,354
		Listed equities £'000
Cost of investments at 1 September 2022		792,685
Investment holding gains at 1 September 2022		137,669
Value of investments at 1 September 2022		930,354
Movements in year:		
Purchases at cost		99,694
Sales proceeds received		(101,480)
Realised gains on sales		23,549
Losses on investments		(93,631)
Value of investments at 31 August 2023		858,486
Cost of investments at 31 August 2023		814,448
Investment holding gains at 31 August 2023		44,038
Value of investments at 31 August 2023		858,486

The transaction costs of purchases and sales were £34,000 (2022 – £70,000) and £29,000 (2022 – £66,000) respectively.

The Company received £101,480,000 (2022 – £145,492,000) from investments sold during the year. The book costs of these investments when they were purchased was £77,931,000 (2022 – £126,671,000). 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.

	2023 £'000	2022 £'000
Net gains/(losses) on investments		
Gains on sales	23,549	18,822
Changes in investment holding losses	(93,631)	(193,179)
	(70,082)	(174,357)

10 Debtors

	2023 £'000	2022 £'000
Income accrued and prepaid expenses	1,789	2,157
Sales for subsequent settlement	-	3
Other debtors	22	25
	1,811	2,185

The carrying amount of debtors is a reasonable approximation of fair value.

11 Creditors – Amounts Falling Due Within One Year

	2023 £'000	2022 £'000
Purchases for subsequent settlement	182	-
Bank loans (see note 12)	-	91,752
Other creditors and accruals	1,459	3,143
	1,641	94,895

Included in other creditors is £1,083,000, (2022 – £1,163,000) in respect of the investment management fee.

12 Creditors – Amounts Falling Due After More Than One Year

	2023 £'000	2022 £'000
Bank loans	131,723	57,655

Borrowing facilities

	At 31 August 2023 Drawings	At 31 August 2022 Drawings
Revolving credit facility with Mizuho Bank, Ltd. for ¥2,600 million, expiring March 2025	-	¥900 million (£5,579 million) at 1.196%
	-	¥900 million (£5,579 million) at 1.182%
	-	¥800 million (£4,960 million) at 1.187%
7 year fixed rate loan facility with ING Bank N.V. for ¥9,300 million, expiring November 2024	¥9,300 million (£57,655 million) at 1.585%	¥9,300 million (£57,655 million) at 1.585%
2 year floating rate loan facility with Bank of New York Mellon for ¥15,000 million, expiring August 2025	¥15,000 million (£81,311 million) at 1.14909%	-
3 year fixed rate loan facility with SMBC, Europe Limited for ¥12,200 million, expired August 2023	-	¥12,200 million (£75,634 million) at 0.925%

The main covenants relating to the above loans are:

- Total borrowings shall not exceed 30% of the Company's net asset value; and
- The Company's minimum net asset value shall be ¥48,545,000,000 (£315,000,000).

There were no breaches of loan covenants during the year.

13 Called-up Share Capital

	2023 Number	2023 £'000	2022 Number	2022 £'000
Authorised ordinary shares of 5p each	93,047,614	4,653	93,899,459	4,695
Treasury shares of 5p each	1,280,595	64	428,750	22
Total	94,328,209	4,717	94,328,209	4,717

The Company's authority permits it to hold shares bought back in 'treasury'. Such treasury shares may be subsequently either sold for cash at a premium to net asset value per ordinary share or cancelled. In the year to 31 August 2023, 851,845 shares with a nominal value of £42,600, representing 0.9% of the issued share capital at 31 August 2022, were bought back at a cost of £6,372,000 and held in treasury (31 August 2022 – 428,750 shares with a nominal value of £22,000 representing 0.5% of the issued share capital at 31 August 2021, were bought back at a cost of £3,262,000 and held in treasury). At 31 August 2023 the Company had authority to buy back 13,187,431 ordinary shares. Over the period from 1 September to 30 October a further 1,205,000 shares have been bought back and held in treasury at a cost of £8,209,000.

Under the provisions of the Company's Articles, the share buy-backs are funded from the capital reserve.

In the year to 31 August 2023, the Company sold no ordinary shares from treasury (2022 – no ordinary shares). The Company issued no further ordinary shares (2022 – no ordinary shares). As at 31 August 2023 the Company had the authority to issue 9,365,761 ordinary shares. Over the period from 1 September 2023 to 30 October 2023 no further shares were issued by the Company.

14 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 September 2022	4,717	213,902	203	556,414	15,770	791,006
Shares bought back	-	-	-	(6,372)	-	(6,372)
Gains on investments	-	-	-	23,549	-	23,549
Changes in investment holding gains	-	-	-	(93,631)	-	(93,631)
Exchange differences on bank loans	-	-	-	18,677	-	18,677
Exchange differences on settlement of investment transactions	-	-	-	(82)	-	(82)
Other exchange differences	-	-	-	(1,590)	-	(1,590)
Revenue return on ordinary activities after taxation	-	-	-	-	9,832	9,832
Dividends paid in the year	-	-	-	-	(8,426)	(8,426)
At 31 August 2023	4,717	213,902	203	496,965	17,176	732,963

The capital reserve includes unrealised investment holding gains of £44,038,000 (2022 – £137,669,000) as disclosed in note 9.

The revenue reserve of £17,176,000 and the capital reserve (to the extent it constitutes realised profits) of £440,448,000 are distributable.

15 Shareholders' funds per ordinary share

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

	2023	2022
Shareholders' funds	£732,963,000	£791,006,000
Number of ordinary shares in issue at the year end*	93,047,614	93,899,459
Shareholders' funds per ordinary share	787.7p	842.4p

* Excluding shares held in treasury at 31 August 2023 and 31 August 2022.

16 Analysis of Change in Net Debt

	At 1 September 2022 £'000	Cash flows £'000	Exchange movement £'000	At 31 August 2023 £'000
Cash at bank and in hand	11,017	(3,865)	(1,122)	6,030
Loans due in less than one year	(91,752)	103,478	(11,726)	-
Loans due in more than one year	(57,655)	(81,327)	7,259	(131,723)
	(138,390)	18,286	(5,589)	(125,693)

17 Contingent Liabilities, Guarantees and Financial Commitments

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

18 Related Party Transactions and Transactions with Investment Manager

Related Party Transactions

The Directors' fees for the year and Directors' shareholdings at 31 August 2023 are detailed in the Directors' Remuneration Report on pages 62 and 65 respectively. No Director has a contract of service with the Company.

Transactions with Investment Manager

The management fee due to Baillie Gifford and Co Limited is set out in note 3 on page 85 and the amount accrued at 31 August 2023 is set out in note 11 on page 89. Details of the Investment Management Agreement are set out on pages 50 and 51.

19 Financial Instruments

The Company invests in medium to smaller sized Japanese companies and makes other investments so as to achieve its investment objective of long term capital growth. The Company borrows money when the Board and Managers have sufficient conviction that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests and could result in a reduction in the Company's net assets.

These risks are categorised here as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposures to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise the short term volatility.

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

Market Risk

The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The Board of Directors reviews and agrees policies for managing these risks and the Company's Investment Manager assesses the exposure to market risk when making individual investment decisions as well as monitoring the overall level of market risk across the investment portfolio on an ongoing basis. Details of the Company's investment portfolio are shown on pages 20 to 22.

i. Currency Risk

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

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

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

19 Financial Instruments (continued)

i. 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 August 2023	Investments £'000	Cash and cash equivalents £'000	Bank loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Total exposure to currency risk (yen)	858,486	5,970	(131,723)	1,278	734,011
Sterling	-	60	-	(1,108)	(1,048)
	858,486	6,030	(131,723)	170	732,963

* Includes non-monetary assets of £101,000.

At 31 August 2022	Investments £'000	Cash and cash equivalents £'000	Bank loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Total exposure to currency risk (yen)	930,354	10,957	(149,407)	1,747	793,651
Sterling	-	60	-	(2,705)	(2,645)
	930,354	11,017	(149,407)	(958)	791,006

* Includes non-monetary assets of £94,000.

Currency Risk Sensitivity

At 31 August 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 £73,401,000 (2022 – £79,365,000). A 10% weakening of sterling against the yen, with all other variables held constant, total net assets and net return on ordinary activities after taxation would have had a similar but opposite effect on the Financial Statement amounts.

ii. Interest Rate Risk

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

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

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

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

The interest rate risk profile of the Company's interest bearing financial assets and liabilities at 31 August 2023 is shown below.

Financial Assets

	2023 Fair value £'000	2023 Weighted average interest rate	2023 Weighted average period until maturity *	2022 Fair value £'000	2022 Weighted average interest rate	2022 Weighted average period until maturity *
Cash:						
Japanese yen	5,970	(0.1%)	n/a	10,957	(<0.1%)	n/a
Sterling	60	0.2%	n/a	60	<0.1%	n/a
	6,030			11,017		

* Based on expected maturity date.

The cash deposits generally comprise overnight call or short-term money deposits and earn, or are charged, interest at floating rates based on prevailing bank base rates.

19 Financial Instruments (continued)

ii. Interest Rate Risk (continued)

Financial Liabilities

The interest rate risk profile of the Company's loans at 31 August 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	131,723	1.3%	20 months	149,407	1.1%	17 months

Interest Rate Risk Sensitivity

An increase of 100 basis points in interest rates, with all other variables held constant, would have decreased the Company's total net assets and total return on ordinary activities for the year ended 31 August 2023 by £134,000 (2022 – decreased by £203,000). This is mainly due to the Company's exposure to interest rates on its cash balances and floating rate bank loans. A decrease of 100 basis points would have had an equal but opposite effect. The Company does not hold bonds.

iii. Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets.

The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies. The portfolio does not seek to reproduce the index, investments are selected based upon the merit of individual companies and therefore performance is highly likely to diverge from the comparative index.

Other Price Risk Sensitivity

A full list of the Company's investments is shown on pages 20 to 22. In addition, analyses of the portfolio by growth category, and sector listing are shown on pages 16 to 19.

117% (2022 – 118%) of the Company's net assets are invested in Japanese quoted equities. A 20% (2022 – 20%) increase in quoted equity valuations at 31 August 2023 would have increased total net assets and net return on ordinary activities after taxation by £171,697,000 (2022 – £186,071,000). A decrease of 20% (2022 – 20%) would have had an equal but opposite effect.

Liquidity Risk

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

The Board provides guidance to the Investment Manager as to the maximum exposure to any one holding (see Investment Policy on page 34).

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

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

	2023 £'000	2022 £'000
In less than one year	–	91,752
In more than one year, but not more than five years	131,723	57,655
	131,723	149,407

Credit Risk

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

- where the Investment Manager makes an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question;
- the Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Depositary has delegated the custody function to Bank of New York Mellon (International) Limited. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Investment Manager monitors the Company's risk by reviewing the custodian's internal control reports and reporting its findings to the Board.

19 Financial Instruments (continued)

Credit Risk (continued)

- investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed;
- the creditworthiness of the counterparty to transactions involving derivatives, structured notes and other arrangements, wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, are subject to rigorous assessment by the Investment Manager; and
- cash is only held at banks that are regularly reviewed by the Investment Manager.

Credit Risk Exposure

The exposure to credit risk at 31 August was:

	2023 £'000	2022 £'000
Cash and cash equivalents	6,030	11,017
Debtors	1,811	2,064
	7,841	13,081

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

Fair Value of Financial Assets and Financial Liabilities

The Company's investments are stated at fair value and the Directors are of the opinion that the reported values of the Company's other financial assets and liabilities approximate to fair value with the exception of the long term borrowings which are stated at amortised cost. The fair value of borrowings is shown below.

	2023 Book value £'000	2023 Fair * value £'000	2022 Book value £'000	2022 Fair * value £'000
Yen bank loans	131,723	131,584	149,407	150,189

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

Capital Management

The Company does not have any externally imposed capital requirements other than the loan covenants detailed in note 12 on page 89. The capital of the Company is the ordinary share capital as detailed in note 13. It is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 34, and shares may be repurchased or issued as explained on page 53.

Fair Value of Financial Instruments

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

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

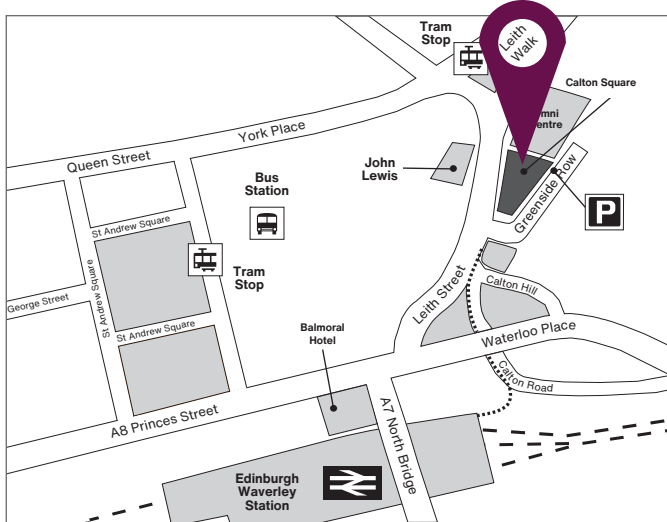
Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

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

The financial assets designated as valued at fair value through profit or loss are all categorised as Level 1 in the above hierarchy (2022 – all categorised as Level 1). None of the financial liabilities are designated at fair value through profit or loss in the Financial Statements.

Shareholder Information

Notice of Annual General Meeting



The Annual General Meeting of The Baillie Gifford Japan Trust PLC will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Tuesday, 12 December 2023 at 12.30pm. You will find directions to the venue by scanning the QR code above.

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.

The Board encourages all shareholders to submit proxy voting forms as soon as possible and, in any event, by no later than 12.30pm on Friday 8 December 2023. We would encourage shareholders to monitor the Company's website at japantrustplc.co.uk. Should shareholders have questions for the Board or the Managers or any queries as to how to vote, they are welcome, as always, to submit them by email to trustenquiries@bailliegifford.com or call 0800 917 2112. Baillie Gifford may record your call.

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

 **By Bus:**
Lothian Buses local services include:
1, 3, 5, 7, 8, 10, 14, 15, 16, 25, 34

 **By Tram:**
Stops at St Andrew Square and Picardy Place

..... Access to Waverley Train Station on foot

Notice is hereby given that the forty second Annual General Meeting of The Baillie Gifford Japan Trust PLC will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Tuesday, 12 December 2023 at 12.30pm for the following purposes:

Ordinary Business

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions.

01. To receive and adopt the Financial Statements of the Company for the year to 31 August 2023 with the Reports of the Directors and of the Independent Auditor thereon.
02. To approve the Directors' Remuneration Policy.
03. To approve the Directors' Annual Report on Remuneration for the year to 31 August 2023.
04. To declare a final dividend of 10p per ordinary share.
05. To re-elect Mr David Kidd as a Director.
06. To re-elect Mrs Sharon Brown as a Director.
07. To re-elect Ms Joanna Pitman as a Director.
08. To re-elect Mr Sam Davis as a Director.
09. To elect Ms Patricia Lewis as a Director.
10. To re-appoint Ernst & Young 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.
11. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
12. That, pursuant to article 165 of the Articles of Association of the Company, this meeting hereby approves the continuance of the Company until the Annual General Meeting of the Company held in respect of the year to 31 August 2024.
13. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of

the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ('Securities') provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £459,213.07 such authority to expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass Resolutions 14 and 15 as Special Resolutions.

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

- b. shall be limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal value of 459,213.07 being approximately 10% of the nominal value of the issued share capital of the Company, as at 30 October 2023.
15. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of fully paid ordinary shares of 5 pence each in the capital of the Company ('ordinary shares') (either for retention as treasury shares for future reissue, resale, transfer or cancellation), provided that:
- a. the maximum aggregate number of ordinary shares hereby authorised to be purchased is 13,767,208, or, if less, the number representing approximately 14.99% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution;
 - b. the minimum price (excluding expenses) which may be paid for each ordinary share is 5 pence;
 - c. the maximum price (excluding expenses) which may be paid for each ordinary share shall not be more than the higher of:
 - i. 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
 - ii. the higher of the last independent trade and the highest current independent bid on the London Stock Exchange as stipulated by Article 5(1) of Commission Regulation (EC) 22 December 2003 implementing the Market Abuse Directive as regards exemptions for buy back programmes and stabilisation of financial instruments (No. 2273/2003); and
 - d. unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in respect of the year ending 31 August 2024, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

By Order of the Board
Baillie Gifford & Co Limited
Company Secretaries
1 November 2023

Notes

01. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the Financial Statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
02. 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 2 days (excluding non-working days) before the time of the meeting or any adjourned meeting.
03. 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.
04. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's Registrar (ID 3RA50) no later than 2 days (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
05. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
06. 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.
07. 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.

08. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 2 days (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
09. 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 Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at japantrustplc.co.uk.
13. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that each representative does so in relation to distinct shares.
15. As at 30 October 2023 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 91,842,614 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 30 October 2023 were 91,842,614 votes.
16. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
17. No Director has a contract of service with the Company.

Further Shareholder Information

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 Japan, 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 of the Managers' website at japantrustplc.co.uk, Trustnet at trustnet.co.uk and on other financial websites. Monthly factsheets are also available on the Baillie Gifford website. These are available from Baillie Gifford on request.

Baillie Gifford Japan Identifiers

ISIN GB0000485838

Sedol 0048583

Ticker BGFD

Legal Entity Identifier 54930037AGTKN765Y741

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

Key Dates

The Annual Report and Financial Statements are normally issued in October and the AGM is normally held in December. Dividends will be paid by way of a single final payment shortly after the Company's AGM.

Capital Gains Tax

The cost for capital gains taxation purposes to shareholders who subscribed for ordinary shares (with warrants attached) is apportioned between the ordinary shares and the warrants on the following basis:

Cost of each ordinary share	96.548p
Cost of fraction for warrant	3.452p
	100.000p

The market value of the ordinary shares on 31 March 1982 was 15.4p. The market values on 20 November 1991 (first day of dealing of new warrants) were as follows:

Ordinary shares	120p
Warrants	26p

The above cost and market value figures have been restated for the five for one share split in November 2000.

Share Register Enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0370 889 3221.

This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

- hear the latest share price;
- confirm your current share holding balance; and
- order Change of Address and Stock Transfer forms.

You can also check your holding on the Registrars' website at 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).

Dividend Reinvestment Plan

Computershare operates a Dividend Reinvestment Plan which can be used to buy additional shares instead of receiving your dividend via cheque or into your bank account. For further information log into investorcentre.co.uk and follow the instructions or telephone 0370 707 1694.

Electronic Proxy Voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at eproxyappointment.com.

If you have any questions about this service please contact Computershare on 0370 889 3221.

CREST Proxy Voting

If you are a user of the CREST system (including a CREST Personal Member), you may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. For further information please refer to the CREST Manual.

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 japantrustplc.co.uk.

UK Alternative Investment Fund Managers (AIFM) Regulations

In accordance with the UK 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 page 109). The numerical remuneration disclosures in respect of the AIFM's reporting period (year ended 31 March 2023) are available at bailliegifford.com.

The Company's maximum and actual leverage (see Glossary of Terms and Alternative Performance Measures on pages 107 and 108) levels at 31 August 2023 are shown below:

Leverage

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

Benchmark

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

Automatic Exchange of Information

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

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. As an affected company, The Baillie Gifford Japan

Trust PLC 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.

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

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders 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.

Communicating with Shareholders



Trust magazine

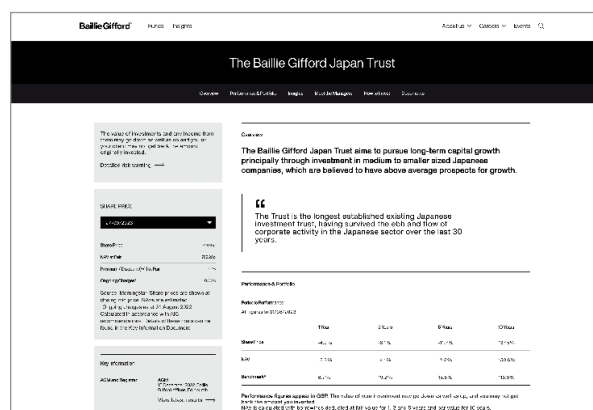
Trust Magazine

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

You can subscribe to Trust magazine or view a digital copy at bailliegiifford.com/trust

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 Japan.

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

Baillie Gifford Japan on the Web

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

You can also find a brief history of Baillie Gifford Japan, an explanation of the effects of gearing and a flexible performance reporting tool.

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@bailliegiifford.com

Website: bailliegiifford.com

Address:

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

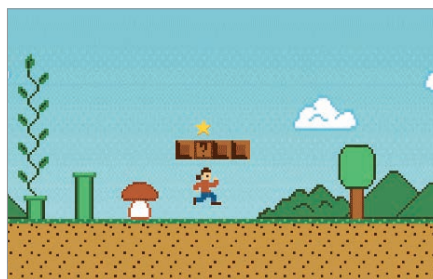
Please note that Baillie Gifford is not permitted to give financial advice. If you would like advice, please ask an authorised intermediary.



From Y to Z: Japan's online powerhouse

by Thomas Patchett

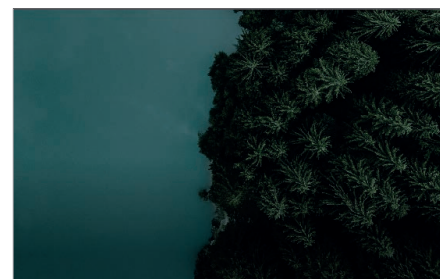
How Yahoo! Japan and Z Holdings' conquest of the country's internet realm unfolded.



Super Mario's World

by Matthew Brett

Nintendo's iconic characters profitably mix familiarity with new forms of gameplay.



Webinar: Japan Trust and Citywire

by Matthew Brett

Though 2022 was tough for investing, hope remains that Japanese companies can overcome a challenging backdrop.



These articles can be viewed by scanning the QR codes below each.

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 Japan is marketed in the EU by the AIFM, Baillie Gifford & 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 ESG Principles and Guidelines as its policy on integration of sustainability risks in investment decisions.

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

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build up an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. The likely impact on the return of the portfolio from a potential or actual material decline in the

value of investment due to the occurrence of an environmental, social or governance event or condition will vary and will depend on several factors including but not limited to the type, extent, complexity and duration of an event or condition, prevailing market conditions and existence of any mitigating factors.

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

More detail on the Investment Manager's approach to sustainability can be found in the ESG Principles and Guidelines document, available publicly on the Baillie Gifford website [bailliegifford.com](https://www.bailliegifford.com) and by scanning the QR code below.

The underlying investments do not take into account the EU criteria for environmentally sustainable economic activities established under the EU Taxonomy Regulation.



Glossary of Terms and Alternative Performance Measures ('APM')

Total Assets

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 (excluding treasury shares). Borrowings are valued at their nominal par value. Par value approximates to amortised cost. The Company's yen denominated loans are valued at their sterling equivalent.

(Discount)/Premium (APM)

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

		31 August 2023	31 August 2022
Net asset value per share	(a)	787.7p	842.4p
Share price	(b)	735.0p	774.0p
Discount	((b) - (a)) ÷ (a)	(6.7%)	(8.1%)

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.

		2023 NAV	2023 Share price	2022 NAV	2022 Share price
Closing NAV per share/share price	(a)	787.7p	735.0p	842.4p	774.0p
Dividend adjustment factor*	(b)	1.0113	1.0113	1.0058	1.0059
Adjusted closing NAV per share/share price	(c) = (a) x (b)	796.6p	743.3p	847.3p	778.6p
Opening NAV per share/share price	(d)	842.4p	774.0p	1,012.8p	1,022.0p
Total return	((c) ÷ (d)) - 1	(5.4%)	(4.0%)	(16.3%)	(23.8%)

* The dividend adjustment factor is calculated on the assumption that the dividend of 9.00p (2022 - 6.00p) paid by the Company during the year was invested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

Turnover

Annual turnover is calculated on a rolling 12 month basis. The lower of purchases and sales for the 12 months is divided by the average assets, with average assets being calculated on assets as at each month's end.

Ongoing Charges (APM)

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value.

		2023 £'000	2022 £'000
Investment management fee		4,448	4,802
Other administrative expenses		688	742
Total expenses	(a)	5,136	5,544
Average net asset value*	(b)	£764,686	£843,789
Ongoing charges	(a) ÷ (b) expressed as a percentage	0.67%	0.66%

* Average of daily net asset values calculated during the year.

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. The level of gearing can be adjusted through the use of derivatives which affect the sensitivity of the value of the portfolio to changes in the level of markets.

Gearing is the Company's borrowings 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.

		2023		2022	
		Gearing * £'000	Potential gearing † £'000	Gearing * £'000	Potential gearing † £'000
Borrowings	(a)	131,723	131,723	149,407	149,407
Cash and cash equivalents	(b)	6,030	-	11,017	-
Shareholders' funds	(c)	732,963	732,963	791,006	791,006
Gearing		17.1%	18.0%	17.5%	18.9%

* Gearing: ((a) - (b)) divided by (c), expressed as a percentage.

† Potential gearing: (a) divided by (c), expressed as a percentage.

Leverage (APM)

For the purposes of the UK 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 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.

Company Information

Directors

Chairman: David Kidd
Sharon Brown
Sam Davis
Patricia Lewis
Joanna Pitman

Company Details

japantrustplc.co.uk

Company Registration No. SC075954

ISIN: GB0000485838

Sedol: 0048583

Ticker: BGFD

Legal Entity Identifier:
54930037AGTKN765Y741

Further Information

Client Relations Team

Baillie Gifford & Co
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

T: +44 (0)800 917 2112

trusenquiries@bailliegifford.com

Alternative Investment Fund Managers, Secretaries and Registered Office

Baillie Gifford & Co Limited

Calton Square
1 Greenside Row
Edinburgh EH1 3AN

T: +44 (0)131 275 2000

bailliegifford.com

Registrar

Computershare Investor Services PLC

The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

T: +44 (0)370 707 1229

Independent Auditor

Ernst & Young LLP Chartered Accountants and Statutory Auditors

Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Depository

The Bank of New York Mellon (International) Limited

1 Canada Square
London
E14 5AL

Company Broker

Investec Bank plc

30 Gresham Street
London
EC2V 7QP

japantrustplc.co.uk



Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Telephone +44 (0)131 275 2000

Copyright © Baillie Gifford & Co 2023.