

BAILLIE GIFFORD SHIN NIPPON PLC

Investing in new
opportunities in Japan



Interim Financial Report
31 July 2019





Objective

Shin Nippon's objective is to pursue long term capital growth through investment principally in small Japanese companies which are believed to have above average prospects for growth.

Comparative Index

The index against which performance is compared is the MSCI Japan Small Cap Index (total return and in sterling terms).

Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, investment strategy risk, discount risk, regulatory risk, custody and depositary risk, small company risk, operational risk, leverage risk and political risk. An explanation of these risks and how they are managed is set out on pages 8 and 9 of the Company's Annual Report and Financial Statements for the year to 31 January 2019 which is available on the Company's website: www.shinnippon.co.uk.

The principal risks and uncertainties have not changed since the date of that report.

Responsibility Statement

We confirm that to the best of our knowledge:

- a) the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
- b) the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R (indication of important events during the first six months, their impact on the Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year); and
- c) the Interim Financial Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.8R (disclosure of related party transactions and changes therein).

On behalf of the Board
MN Donaldson
Chairman
16 September 2019

Summary of Unaudited Results

	31 July 2019	31 January 2019 (audited)	% change
Shareholders' funds	£506.3m	£434.2m	
Net asset value per ordinary share (after deducting borrowings at fair value)*	182.8p	158.5p	15.3%
Net asset value per ordinary share (after deducting borrowings at book value)*	183.1p	158.8p	15.3%
Share price	185.0p	171.2p	8.1%
Comparative index†			9.8%
Premium (borrowings at fair value)*	1.2%	8.0%	
Active share*	94%	94%	

	Six months to 31 July 2019		Year to 31 January 2019	
Period's high and low	High	Low	High	Low
Net asset value per ordinary share (after deducting borrowings at fair value)*	184.8p	157.9p	197.6p	147.2p
Share price	193.4p	170.2p	207.1p	158.1p
Premium/(discount) (borrowings at fair value)*	9.3%	(0.1%)	14.5%	0.5%

Longer Term Performance at 31 July 2019

	3 Years	5 Years	10 Years
Net asset value per ordinary share#	63.8%	193.4%	625.9%
Share price	56.9%	184.9%	750.6%
Comparative index†	29.8%	92.2%	200.5%

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 18.

Notes

* See Glossary of Terms and Alternative Performance Measures on page 16.

† The comparative index is the MSCI Japan Small Cap Index (total return and in sterling terms). Prior to 1 February 2010 the comparative index comprised a composite of the Tokyo Second Section Index, the TOPIX Small Index and the JASDAQ Index, weighted by market capitalisation, in sterling terms. Index data has been chain-linked from 1 February 2010 to form a single index.

After deducting borrowings at fair value. See Glossary of Terms and Alternative Performance Measures on page 16.

Interim Management Report

During the first half of this year, we witnessed anaemic market conditions driven primarily by macroeconomic concerns. Investors remained cautious due to the ongoing US-China trade war and slowing economic growth across key geographies. Unsurprisingly, Japanese equities remained under pressure during this period.

High growth smaller companies and cyclical businesses with meaningful overseas sales were especially hard hit as investors sought refuge in high yielding sectors with dull growth prospects. Despite these short-term cyclical headwinds, we remain confident that the disruptive, high growth stocks that we own in the portfolio are well positioned to deliver attractive returns over the medium and long term.

Although the Japanese market remained sluggish, sterling-based investors benefitted from currency weakness against the Japanese Yen. In the six months to 31 July 2019, Shin Nippon's net asset value per share (after deducting borrowings at fair value) rose by 15.3% compared to a 9.8% rise in the MSCI Japan Small Cap index. Over three and five years, which we believe is a fairer way of judging long-term investment performance, the comparative index is up by 29.8% and 92.2% respectively, while the Company's net asset value per share is up by 63.8% and 193.4%.

Longstanding holding GMO Payment Gateway was the largest positive contributor to performance. Its core online payments processing business continues to grow rapidly but more encouragingly, its newer businesses such as payment after delivery and remittances are also gaining traction. These new growth areas have become meaningful parts of the overall business. It also recently announced a joint venture with Visa and Sumitomo Mitsui Financial Group, one of the largest financial institutions in the world, to build a next generation payment platform in Japan. The Japanese government is aggressively promoting cashless payments as it seeks to reduce Japan's high dependency on cash-based transactions. We believe GMO Payment Gateway will be a big beneficiary of Japan's structural shift towards a cashless economy.

Online legal consultation website Bengo4.com was another strong performer. With just over 40% of all lawyers in Japan as its registered members, Bengo4.com is rapidly becoming the service of choice for seeking online legal advice in Japan. Even more exciting are the growth prospects of Cloudsign, a cloud-based contract service that Bengo4.com launched a few years ago. As an online service offering documents that can be

prepared, analysed and signed electronically, Cloudsign speeds-up the contract signing process between businesses, reduces costs and increases transparency. Adoption of Cloudsign continues to be rapid, with nearly 50,000 companies having signed up to use this service since it was introduced.

Another notable strong performer was Asahi Intecc, a leading global manufacturer of guidewires and catheters used in cardiovascular surgery. Following the termination of its joint venture with US healthcare company Abbott Labs last year, Asahi Intecc has taken full control of its distribution in North America and is already seeing its share increase in this market as a result. It also recently launched products targeting new areas like neurovascular surgery where the size of the addressable market is much larger than the cardiovascular market.

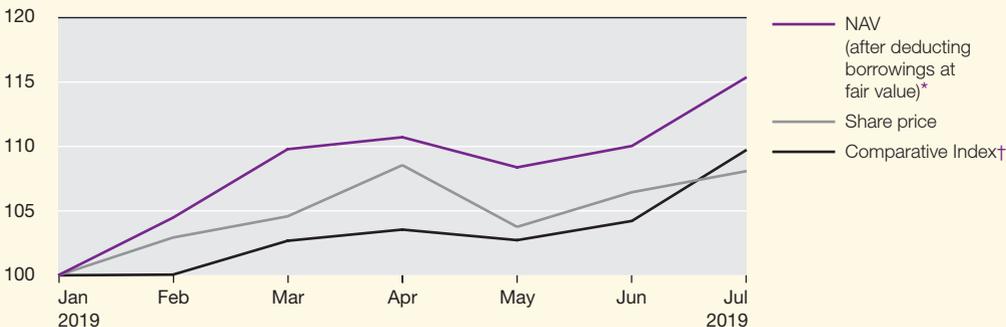
Given the challenging business environment globally, most of the weak performers in the first half of the year were cyclical companies with exposure to global demand. Plastic car parts manufacturer DaikyoNishikawa mirrored the dwindling fortunes of its main customer Mazda. The latter is seeing declining sales in both the US and China as its newer models are struggling to gain traction and this is having a significant negative impact on DaikyoNishikawa's business. Industrial security sensor manufacturer Optex has seen a slowdown in growth in its core sensors business. It is also suffering from weak demand in its factory automation division largely due to the ongoing trade tariffs related issues. Megachips, a fabless manufacturer of electronic components for gaming consoles and consumer electronics, saw considerable share price weakness following the cancellation of a large order by a major client.

Thanks to our long-term investment horizon, portfolio turnover remained low at 15%. However, a few new holdings were purchased. Among these was Kitanotatsujin, a fast-growing, specialist online cosmetics company. It has a good track record of developing unique and highly effective products targeted at improving specific skin conditions. Its subscription-based business model sets it apart from its peers, generating a high proportion of recurring revenues which tend to be higher margin. It is run by its young and dynamic founder who retains a large stake in the business, thereby ensuring a high degree of alignment with minority shareholders. We also took a holding in Tsugami, a specialist machine tool maker that has high market shares and is growing rapidly in both China and

Past performance is not a guide to future performance.

Six Months Performance

(figures plotted on a monthly basis and rebased to 100 at 31 January 2019)



* See Glossary of Terms and Alternative Performance Measures on page 16.

† MSCI Japan Small Cap Index (total return and in sterling terms).

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 18.

India, two of the most promising end markets globally. Litalco was another new addition to the portfolio. It provides training and employment assistance for disabled people as well as educational services for children with developmental difficulties. This is a hugely underserved market in Japan, with a sizeable target population. The government has put in place policies to increase the employment opportunities for disabled people, especially in view of the upcoming Paralympic Games to be held in Tokyo in 2020. This should benefit Litalco which is one of the few players with a nationwide support coverage. More generally, the pool of exciting high growth smaller businesses in Japan continues to rise as witnessed by the increasing number of IPOs of such businesses. We are also observing a similar trend amongst unlisted companies. Although we currently have only one unlisted stock in the portfolio, in line with the mandate passed at the AGM, we continue to look for opportunities in this space.

We also sold a few positions completely during the first half of this year. Among these was SanBio, a biotech company developing a stem-cells based treatment for brain injury related stroke. In a hugely disappointing outcome, the company suffered a major blow with the failure of a critical trial of this treatment. Asics, a leading global brand of running shoes, was another stock that was sold. In recent years, management have failed to respond adequately to competitive pressures, resulting in Asics falling behind its traditional rivals like Nike and

Adidas. Given our lack of faith in management's ability to turn the business around, we decided to sell our holding in the company. We also sold our holding in high-end condominium builder Mugen Estate as it is facing a perfect storm of rising land acquisition costs and declining demand.

Global markets are currently experiencing high levels of uncertainty and Japan is no exception. The slowdown in economic growth across many large economies is being exacerbated by the ongoing trade war between the US and China. It is natural to expect market weakness in these conditions as investors adopt a cautious approach towards equities in general. However, for us as long-term growth investors, the current environment is giving rise to numerous exciting investment opportunities. Many high quality and rapid growth companies, including some that we currently own, are seeing sharp declines in share prices that appear to be divorced from the fundamental long-term attractions of these businesses. Contrary to the prevailing pessimistic sentiment, we are excited at the prospect of investing in these businesses. We remain confident that the inherent strengths of their business models will enable them to deliver attractive long-term returns for patient shareholders.

The principal risks and uncertainties facing the company are set out on the inside front cover of this report.

Baillie Gifford & Co

Twenty Largest Equity Holdings at 31 July 2019

Name	Business	Value £'000	% of total assets	Absolute performance* %
Bengo4.com	Online legal consultation	16,628	3.0	36.5
Peptidream	Drug discovery and development platform	16,508	2.9	42.0
Outsourcing	Employment placement services	16,467	2.9	14.5
Istyle	Beauty product review website	16,080	2.9	7.8
GMO Payment Gateway	Online payment processing	15,473	2.8	52.6
Horiba	Manufacturer of measuring instruments	15,462	2.7	20.8
Asahi Intecc	Specialist medical equipment	15,461	2.7	31.4
Nihon M&A Center	M&A advisory services	15,117	2.7	17.5
Infomart	Internet platform for restaurant supplies	14,856	2.6	38.9
Katitas	Real estate services	14,676	2.6	48.1
Yume No Machi	Online meal delivery service	14,450	2.6	21.6
MonotaRO	Online business supplies	14,040	2.5	11.9
OSG	Manufactures machine tool equipment	12,509	2.2	6.6
Raksul	Internet based services	10,987	2.0	41.8
Brainpad	Business data analysis	10,785	1.9	29.5
Harmonic Drive	Robotic components	10,417	1.9	18.8
Nippon Ceramic	Electronic component manufacturer	10,386	1.8	23.0
Noritsu Koki	Holding company with interests in biotech and agricultural products	10,293	1.8	19.6
Shoei	Manufactures motor cycle helmets	9,737	1.7	30.6
Sho-Bond	Infrastructure reconstruction	9,617	1.7	5.9
		269,949	47.9	

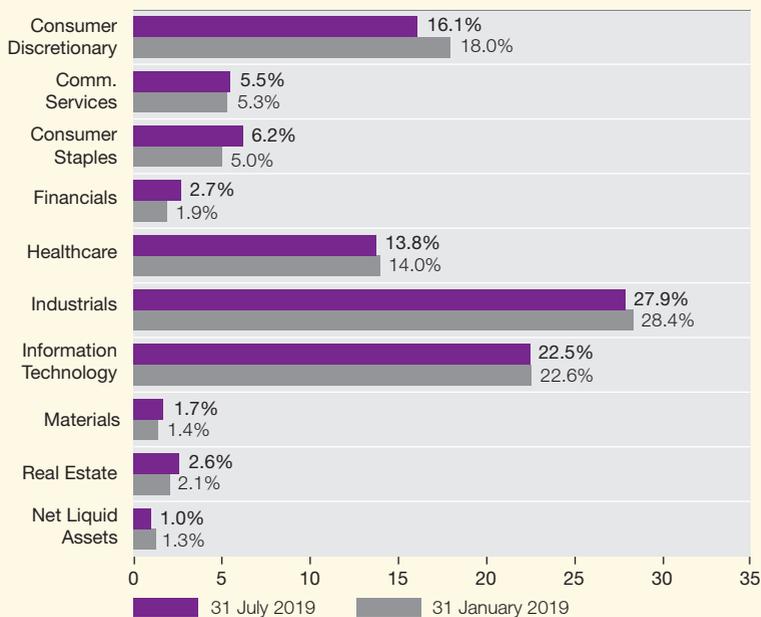
* Absolute performance is in sterling terms and has been calculated on a total return basis over the period 1 February 2019 to 31 July 2019.

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

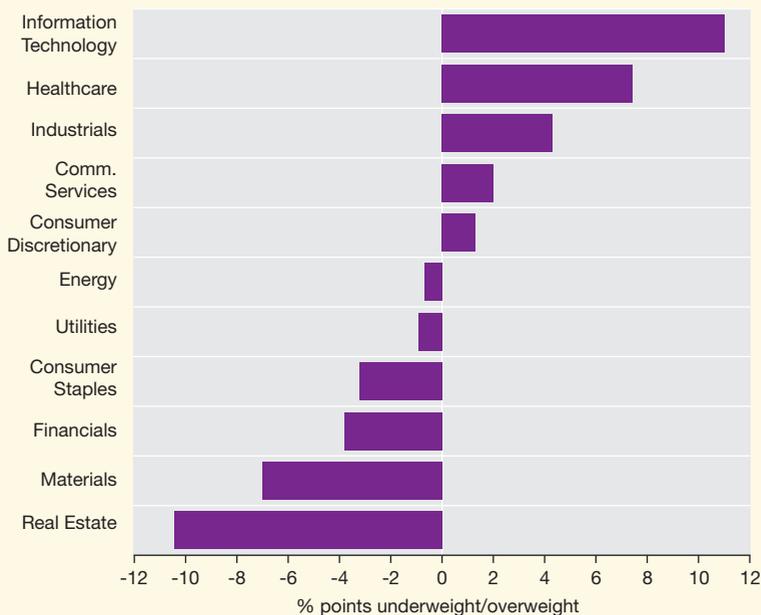
Past performance is not a guide to future performance.

Distribution and Relative Weightings

Distribution of Total Assets



Portfolio Weightings relative to Comparative Index* at 31 July 2019



* MSCI Japan Small Cap Index (total return and in sterling terms).
See disclaimer on page 18.

Income Statement (unaudited)

	For the six months ended 31 July 2019			For the six months ended 31 July 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net gains on investments (note 3)	–	70,278	70,278	–	51,417	51,417
Currency losses	–	(3,736)	(3,736)	–	(2,829)	(2,829)
Income from investments	2,762	–	2,762	2,193	–	2,193
Investment management fee (note 4)	(1,511)	–	(1,511)	(1,465)	–	(1,465)
Other administrative expenses	(286)	–	(286)	(360)	–	(360)
Net return before finance costs and taxation	965	66,542	67,507	368	48,588	48,956
Finance costs of borrowings	(530)	–	(530)	(500)	–	(500)
Net return on ordinary activities before taxation	435	66,542	66,977	(132)	48,588	48,456
Tax on ordinary activities (note 5)	(276)	–	(276)	(219)	–	(219)
Net return on ordinary activities after taxation	159	66,542	66,701	(351)	48,588	48,237
Net return per ordinary share (note 7)	0.06p	24.18p	24.24p	(0.14p)	19.58p	19.44p

The accompanying notes on pages 11 to 13 are an integral part of the Financial Statements.

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

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

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

Balance Sheet (unaudited)

	At 31 July 2019 £'000	At 31 January 2019 (audited) £'000
Fixed asset investments		
Investments held at fair value through profit or loss (note 8)	556,901	479,874
Current assets		
Debtors	1,427	2,706
Cash and cash equivalents	4,972	5,750
	6,399	8,456
Creditors		
Amounts falling due within one year	(1,007)	(2,229)
Net current assets	5,392	6,227
Total assets less current liabilities	562,293	486,101
Creditors		
Amounts falling due after more than one year (note 9)	(55,956)	(51,946)
Total net assets	506,337	434,155
Capital and reserves		
Share capital	5,530	5,469
Share premium account	168,611	163,191
Capital redemption reserve	21,521	21,521
Capital reserve	315,893	249,351
Revenue reserve	(5,218)	(5,377)
Shareholders' funds	506,337	434,155
Net asset value per ordinary share (after deducting borrowings at book value)	183.1p	158.8p
Ordinary shares in issue (note 11)	276,502,485	273,452,485

Statement of Changes in Equity (unaudited)

For the six months ended 31 July 2019

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve * £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 February 2019	5,469	163,191	21,521	249,351	(5,377)	434,155
Ordinary shares issued (note 11)	61	5,420	–	–	–	5,481
Net return on ordinary activities after taxation	–	–	–	66,542	159	66,701
Shareholders' funds at 31 July 2019	5,530	168,611	21,521	315,893	(5,218)	506,337

For the six months ended 31 July 2018

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve * £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 February 2018	4,749	95,174	21,521	285,451	(5,483)	401,412
Ordinary shares issued (note 11)	437	41,436	–	–	–	41,873
Net return on ordinary activities after taxation	–	–	–	48,587	(351)	48,236
Shareholders' funds at 31 July 2018	5,186	136,610	21,521	334,038	(5,834)	491,521

* The Capital reserve includes investment holding gains of £204,029,000 (31 July 2018 – gains of £261,503,000).

Condensed Cash Flow Statement (unaudited)

	Six months to 31 July 2019 £'000	Six months to 31 July 2018 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation	66,977	48,456
Net gains on investments	(70,278)	(51,417)
Currency losses	3,736	2,829
Finance costs of borrowings	530	500
Overseas withholding tax	(335)	(245)
Changes in debtors and creditors	676	385
Cash from operations	1,306	508
Interest paid	(502)	(477)
Net cash inflow from operating activities	804	31
Net cash outflow from investing activities	(7,320)	(42,933)
Ordinary shares issued	5,481	43,255
Net cash inflow from financing activities	5,481	43,255
(Decrease)/increase in cash and cash equivalents	(1,035)	353
Exchange movements	257	34
Cash and cash equivalents at start of period	5,750	5,668
Cash and cash equivalents at end of period*	4,972	6,055

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

Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed Financial Statements for the six months to 31 July 2019 comprise the statements set out on pages 6 to 10 together with the related notes on pages 11 to 13. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the principles of the AIC's Statement of Recommended Practice issued in November 2014 and updated in February 2018 with consequential amendments and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Financial Statements for the six months to 31 July 2019 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 31 January 2019.

Going Concern

The Directors have considered the nature of the Company's principal risks and uncertainties, as set out on the inside front cover, together with its current position, investment objective and policy, its assets and liabilities and projected income and expenditure. The Company's assets, which are primarily investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with loan covenants are reviewed by the Board on a regular basis. Accordingly, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

- 2 The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 January 2019 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on these accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006.

	Six months to 31 July 2019 £'000	Six months to 31 July 2018 £'000
3 Net gains on investments		
Gains on sales of investments	16,296	12,187
Movement in investment holding gains	53,982	39,230
	70,278	51,417

- 4 Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager (AIFM) and Company Secretary. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on six months' notice. On 1 January 2019 the annual management fee was reduced to 0.75% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remainder, calculated and payable quarterly. Prior to 1 January 2019 the annual management fee was 0.95% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remainder.
- 5 The Company suffers overseas withholding tax on its equity income, currently at the rate of 10%.
- 6 No interim dividend will be declared.

Notes to the Condensed Financial Statements (unaudited)

	Six months to 31 July 2019 £'000	Six months to 31 July 2018 £'000
7 Net return per ordinary share		
Revenue return	159	(351)
Capital return	66,542	48,588
Total Return	66,701	48,237

Net return per ordinary share is based on the above totals of revenue and capital and on 275,146,822 (31 July 2018 – 248,142,402) ordinary shares, being the weighted average number of ordinary shares in issue during the period. There are no dilutive or potentially dilutive shares in issue.

8 Fair Value

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 Company's investments are financial assets held at fair value through profit or loss. An analysis of the Company's financial asset investments based on the fair value hierarchy described above is shown below.

As at 31 July 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	553,398	–	–	553,398
Unlisted securities	–	–	3,503	3,503
Total financial asset investments	553,398	–	3,503	556,901

As at 31 January 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	471,753	4,868	–	476,621
Unlisted securities	–	–	3,253	3,253
Total financial asset investments	471,753	4,868	3,253	479,874

8 Fair Value (continued)

There have been no transfers between levels of the fair value hierarchy during the period. The fair value of listed investments is last traded price which is equivalent to the bid price on Japanese markets. Listed investments are categorised as Level 1 if they are valued using unadjusted quoted prices for identical instruments in an active market and as Level 2 if they do not meet all these criteria but are, nonetheless, valued using market data. Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' unlisted investment valuation policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation guidelines ('IPEV'). These methodologies can be categorised as follows: (a) market approach (multiples, industry valuation benchmarks and available market prices); (b) income approach (discounted cash flows); and (c) replacement cost approach (net assets). The Company's holdings in unlisted investments are categorised as Level 3 as unobservable data is a significant input to their fair value measurements.

- 9** The amounts falling due after more than one year include bank loans of £55,956,000 (¥7.45 billion) outstanding under yen loan facilities repayable on 27 November 2020 and 18 December 2024 (31 January 2019 – £51,946,000 (¥7.45 billion)).
- 10** The fair value of the bank loans at 31 July 2019 was £56,792,000 (31 January 2019 – £52,810,000).
- 11** The Company has the authority to issue shares/sell treasury shares at a premium to net asset value as well as to buy back shares at a discount to net asset value. During the period under review, 3,050,000 shares were issued at a premium to net asset value raising net proceeds of £5,481,000 (31 July 2018 – 21,875,000 shares raising net proceeds of £41,873,000). No shares were bought back during the period under review (31 July 2018 – nil).
- 12** Transaction costs incurred on the purchase and sale of the investments are added to the purchase cost or deducted from the sale proceeds, as appropriate. During the period, transaction costs on purchases amounted to £26,000 (31 July 2018 – £36,000) and transaction costs on sales amounted to £23,000 (31 July 2018 – £15,000).

13 Related Party Transactions

There have been no transactions with related parties during the first six months of the current financial year that have materially affected the financial position or the performance of the Company during that period and there have been no changes in the related party transactions described in the last Annual Report and Financial Statements that could have had such an effect on the Company during that period.

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

Further Shareholder Information

Shin Nippon's shares are traded on the London Stock Exchange. They can be bought through a stockbroker or by asking a professional adviser to do so.

Risk Warnings

Past performance is not a guide to future performance.

Baillie Gifford Shin Nippon is a listed UK company. The value of its shares and any income from those shares can fall as well as rise and investors may not get back the amount invested.

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

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

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

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

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

Baillie Gifford Shin Nippon invests in smaller companies which are generally considered higher risk as changes in their share prices may be greater and the shares may be harder to sell. Smaller companies may do less well in periods of unfavourable economic conditions.

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

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

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

As the aim of Baillie Gifford Shin Nippon is to achieve capital growth, it is unlikely that the Company will provide a steady, or indeed any, income.

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

The favourable tax treatment of ISAs may change.

The Company is listed on the London Stock Exchange and as such complies with the requirements of the UK Listing Authority. It is not authorised or regulated by the Financial Conduct Authority.

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

Further details of the risks associated with investing in the Company, including how charges are applied, can be found at www.shinnippon.co.uk, or by calling Baillie Gifford on 0800 917 2112.

The information and opinions expressed within this Interim Financial Report are subject to change without notice. This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

Automated Exchange of Information

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

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, Baillie Gifford Shin Nippon PLC will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

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

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

<https://www.gov.uk/government/publications/exchange-of-information-account-holders>.

Glossary of Terms and Alternative Performance Measures (APM)

Total Assets

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

Net Asset Value

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

Net Asset Value (Borrowings at Book Value)

Borrowings are valued at adjusted net issue proceeds. The Company's yen denominated loans are valued at their sterling equivalent and adjusted for their arrangement fees. The value of the borrowings on this basis is set out in note 9 on page 13.

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

Borrowings are valued at an estimate of their market worth. The Company's yen denominated loans are fair valued with reference to a Japanese government bond of comparable yield and maturity. The value of the borrowings on this basis is set out in note 10 on page 13.

	31 July 2019	31 January 2019
Net Asset Value per ordinary share (borrowings at book value)	183.1p	158.8p
Shareholders' funds (borrowings at book value)	£506,337,000	£434,155,000
Add: book value of borrowings	£55,956,000	£51,946,000
Less: fair value of borrowings	(£56,792,000)	(£52,810,000)
Shareholders' funds (borrowings at fair value)	£505,501,000	£433,291,000
Shares in issue at period end	276,502,485	273,452,485
Net Asset Value per ordinary share (borrowings at fair value)	182.8p	158.5p

Net Liquid Assets

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

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.

Total Return (APM)

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend. The Company does not pay a dividend.

Ongoing Charges (APM)

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

Gearing (APM)

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

Leverage (APM)

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

Active Share (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.

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Directors

Chairman:
MN Donaldson

J Skinner
MR Somerset Webb
SCN Somerville
Professor S Vijayakumar

Alternative Investment Fund Managers, Secretaries and Registered Office

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

Registrar

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

Brokers

Panmure Gordon & Co
One New Change
London
EC4M 9AF

Independent Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Depository

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

Company Details

www.shinnippon.co.uk
Company registration
No. SC093345
ISIN GB00BFXYH242
Sedol BFXYH24
Ticker BGS

Legal Entity Identifier:
X5XCIPCJQCSUF8H1FU83

Further Information

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

Tel: 0800 917 2112
Your call may be recorded
E-mail:
trustenquiries@bailliegifford.com
Fax: 0131 275 3955