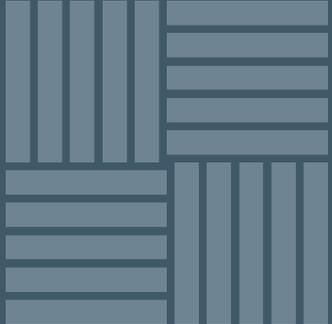
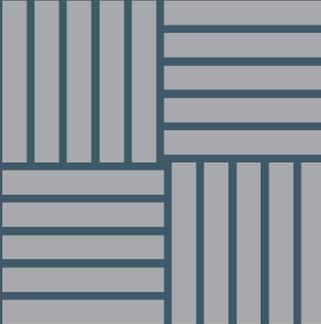
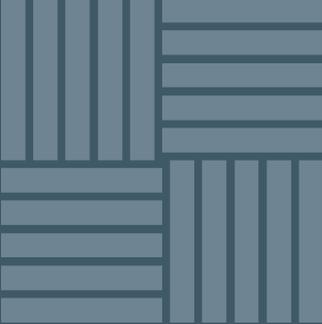


BAILLIE GIFFORD SHIN NIPPON PLC

Investing in new
opportunities in Japan



Half-Yearly Financial Report
31 July 2013





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 relate to the Company's investment activities. These risks are market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 19 of the Company's Annual Report and Financial Statements for the year to 31 January 2013. The principal risks and uncertainties have not changed since the publication of the Annual Report, which can be obtained free of charge from Baillie Gifford & Co (see contact details on the back cover of this report) and is available on the Shin Nippon page of the Managers' website: www.shinnippon.co.uk. Other risks facing the

Company include the following: regulatory risk (that the loss of investment trust status or a breach of the applicable legal and regulatory requirements could have adverse financial consequences and cause reputational damage); operational/financial risk (failure of service providers' accounting systems could lead to inaccurate reporting or financial loss); the risk that the discount can widen; and gearing risk (the use of borrowing can magnify the impact of falling markets). Further information can be found on page 19 of the Annual 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 the Accounting Standards Board's statement 'Half-Yearly Financial Reports';
- b) the Half-Yearly 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 Half-Yearly 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).

By order of the Board
BM Rose
Chairman
19 September 2013

Summary of Unaudited Results

	31 July 2013	31 January 2013	% change
Shareholders' funds	£100.3m	£69.1m	
Net asset value per ordinary share (after deducting borrowings at fair value)†	287.3p	211.6p	35.8
Share price	295.5p	224.1p	31.9
Comparative Index*			16.3
Premium (borrowings at fair value)†	2.9%	5.9%	

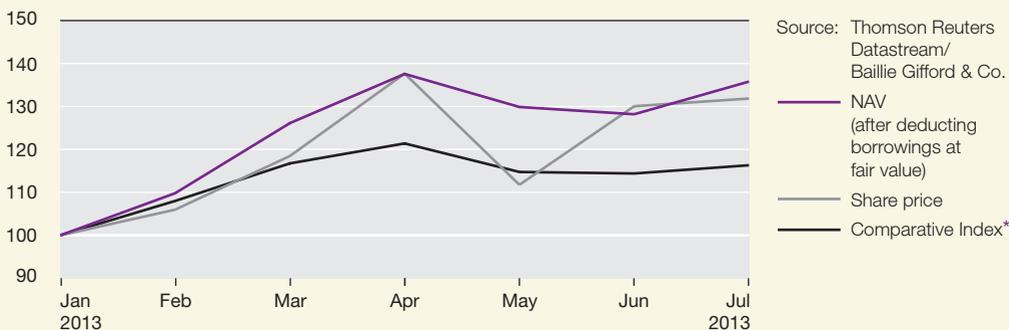
	Six months to 31 July 2013		Year to 31 January 2013	
Period's high and low	High	Low	High	Low
Net asset value per ordinary share (after deducting borrowings at fair value)†	309.3p	206.4p	211.6p	174.8p
Share price	338.0p	221.0p	224.1p	160.5p
Premium/(discount) (borrowings at fair value)†	10.5%	(10.9%)	7.3%	(11.1%)

Notes

† Borrowings are deducted at fair value (the estimate of market worth).

Six Months Performance

(figures plotted on a monthly basis and rebased to 100 at 31 January 2013)



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

Past performance is not a guide to future performance.

Half-Yearly Management Report

Japanese markets performed strongly over the period as investors were enthused by the announcements of more aggressive growth policies from both the Japanese government and central bank. The six months to 31 July 2013 was a good period for Shin Nippon: net asset value per share* rose by 35.8% compared to a 16.3% rise in the MSCI Japan Small Cap index (all total return in sterling terms). It is interesting to note that in a period when the yen weakened, boosting the outlook for the large cap exporters in particular, Japanese small cap stocks in general kept pace with the broad market despite their greater domestic focus.

The Japanese economy was on a stronger footing in the first half of the year as domestic sentiment improved, signs of inflation emerged and exports recovered. That said, as we often note, many of Shin Nippon's holdings operate in expanding niche markets so their profit growth is not conditional on positive trends in the broader economy.

An obvious example is the growth of the internet market in Japan, something being driven by the rising use of smartphones. Many of Shin Nippon's best performing stocks over the period were online businesses. Start Today, the operator of the most popular apparel website in Japan, returned to favour with investors as new users signed up. Some fashion brands that had been experimenting with a rival website returned and are now exclusively using Start Today as their online sales channel. Digital Garage, an internet holding company, was another strong performer. In addition to providing small internet businesses with support for advertising strategies and payment solutions, it also invests in early stage internet start-up businesses. This is a particularly vibrant market at present and the prospects for realising gains on the portfolio of investments has risen as the IPO market in Japan has recovered. F@N Communications is also involved in online advertising, providing a convenient link between the numerous small blogs that wish to

sell marketing space on their websites and the large advertisers. The company's growth has been strong recently as advertising starts to shift to more mobile-specific marketing strategies.

Two of our other strongest performing holdings, Infomart and M3, might not, at a first glance, appear to be businesses with the potential for high growth, operating in the restaurant supply and pharmaceutical marketing sectors respectively. However, both are disrupting existing practices having adopted efficient online business models. This has resulted in both companies expanding rapidly as they gain market share from more traditional competitors. Infomart has built an online ordering platform for restaurants. This allows businesses to order all their supplies conveniently rather than telephoning several different wholesalers. The more wholesalers and suppliers that the company signs to its site, the more attractive it becomes to cost-conscious restaurant owners. M3 allows drug companies to send targeted promotional messages to doctors. This costs substantially less than using traditional sales representatives and having them present during a doctor's working day. With M3's system, doctors are able to read relevant information on products and developments when convenient. The company has been expanding this business internationally after forming good relationships with global pharmaceutical companies in Japan. Other notable performers included two businesses that are well placed to grow due to long term societal shifts within Japan. Nihon M&A provides advisory services to the growing number of elderly business founders who, faced with the lack of a successor, are seeking to merge to secure the long term future of their companies. It is currently training new advisors in response to a fast rising number of enquiries. JP Holdings is one of the leading independent operators of nursery schools. A key way to boost Japan's economy is to make places at nursery schools more widely available and accessible so that more women can return to the

*After deducting borrowings at fair value.

Past performance is not a guide to future performance.

workplace as their children grow up. With increased government support for the sector likely, JP Holdings as a respected and trusted player is positioned well to benefit.

Turnover within the portfolio remains low; however there are two noteworthy new holdings. The government recently announced deregulation of the prescription market, allowing more drugs to be sold online. This change has allowed Kenko.com, a specialist online retailer of healthcare related items, to expand rapidly into this new market. WDB Holdings is a small temporary staffing agency specialising in R&D staff for the biotechnology and food sectors. While the company should benefit from rising demand as the economy recovers, it also stands to benefit from the measures that make it easier for women to return to work. The vast majority of the company's job-seekers are mothers who didn't return to work immediately after having their first child.

Despite the strong performance of the majority of our holdings, we remain encouraged by the number of emerging Japanese businesses that we are identifying with strong growth prospects. Shin Nippon continues to focus on the most innovative, entrepreneurial businesses within the broader Japanese small cap universe.

The Alternative Fund Managers Directive became law in July 2013. This legislation introduces a requirement for investment trusts to appoint an Alternative Investment Fund Manager (AIFM) who will be regulated under the directive and responsible for portfolio and risk management. Companies have until July 2014 to comply. Following discussions with the Managers and having sought legal advice, the Board currently expects to appoint Baillie Gifford as the Company's AIFM.

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

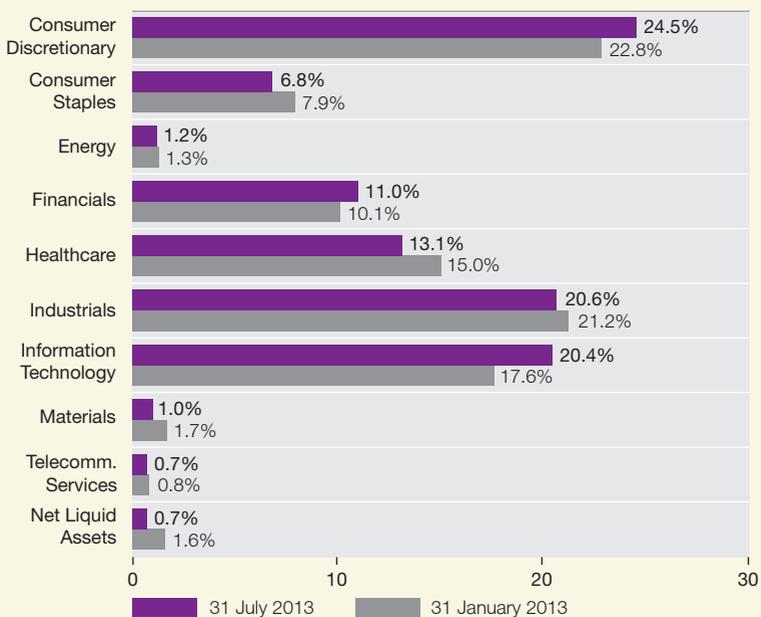
By order of the Board
Baillie Gifford & Co
19 September 2013

Twenty Largest Equity Holdings at 31 July 2013

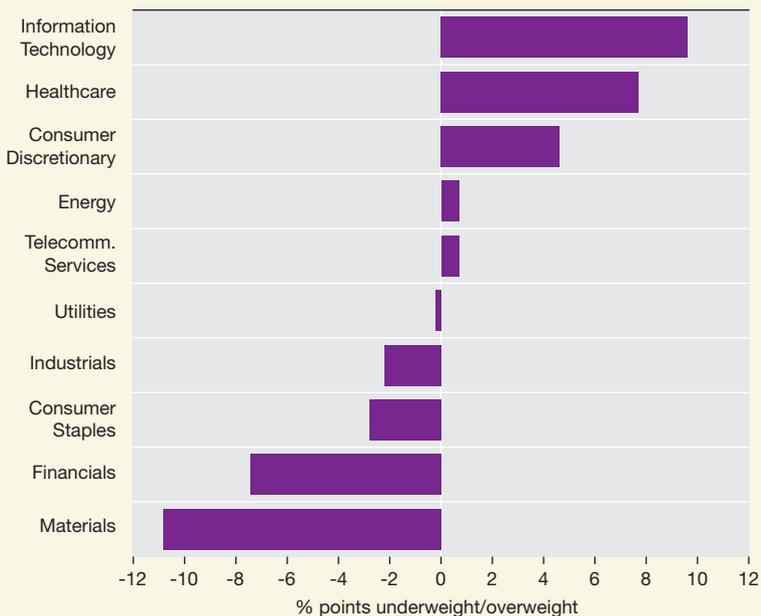
Name	Business	Value £'000	% of total assets
MonotaRO	Supplies small machinery parts	3,940	3.6
Nihon M&A Center	M&A advisory services	3,338	3.1
Don Quijote	Discount store chain	3,244	3.0
Start Today	Internet fashion retailer	3,213	3.0
M3	Online medical database	2,821	2.6
Digital Garage	Internet business incubator	2,638	2.4
Nabtesco	Hydraulic equipment	2,302	2.1
Pigeon	Baby care products	2,197	2.0
Nakanishi	Dental equipment	2,174	2.0
Hamakyorex	Third party logistics	2,120	2.0
First Juken	Builds and sells residential buildings	2,055	1.9
Asics	Sports shoes and clothing	2,002	1.9
Takara Leben	Leasing and management of real estate	1,999	1.9
Enplas	Manufactures plastic components for electronics industry	1,948	1.8
Asahi Intecc	Specialist medical equipment	1,942	1.8
Japan Exchange Group	Stock exchange operator	1,931	1.8
Iriso Electronics	Specialist connectors	1,927	1.8
Nifco	Industrial fastener manufacturer	1,926	1.8
H.I.S.	Discount travel agency	1,882	1.7
Message	Provides nursing services for the elderly	1,878	1.7
		47,477	43.9

Distribution and Relative Weightings

Distribution of Total Assets



Portfolio Weightings relative to Comparative Index* at 31 July 2013



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

Income Statement (unaudited)

	For the six months ended 31 July 2013		
	Revenue £'000	Capital £'000	Total £'000
Net gains on investments (note 3)	–	25,242	25,242
Currency gains	–	156	156
Income from investments	640	–	640
Investment management fee (note 4)	(433)	–	(433)
Other administrative expenses	(143)	–	(143)
Net return before finance costs and taxation	64	25,398	25,462
Finance costs of borrowings	(85)	–	(85)
Net return on ordinary activities before taxation	(21)	25,398	25,377
Tax on ordinary activities (note 5)	(46)	–	(46)
Net return on ordinary activities after taxation	(67)	25,398	25,331
Net return per ordinary share (note 7)	(0.20p)	74.70p	74.50p

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in this statement derive from continuing operations. No operations were acquired or discontinued during the period.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

For the six months ended 31 July 2012			For the year ended 31 January 2013		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	5,270	5,270	–	9,688	9,688
–	94	94	–	1,378	1,378
684	–	684	1,165	–	1,165
(298)	–	(298)	(621)	–	(621)
(143)	–	(143)	(283)	–	(283)
243	5,364	5,607	261	11,066	11,327
(103)	–	(103)	(201)	–	(201)
140	5,364	5,504	60	11,066	11,126
(48)	–	(48)	(82)	–	(82)
92	5,364	5,456	(22)	11,066	11,044
0.30p	17.25p	17.55p	(0.07p)	35.53p	35.46p

Balance Sheet (unaudited)

	At 31 July 2013 £'000	At 31 July 2012 £'000	At 31 January 2013 £'000
Fixed asset investments			
Listed equities	107,293	68,432	75,817
Current assets			
Debtors	513	171	432
Cash and short term deposits	842	1,289	2,378
	1,355	1,460	2,810
Creditors			
Amounts falling due within one year	(631)	(233)	(1,553)
Net current assets	724	1,227	1,257
Total assets less current liabilities	108,017	69,659	77,074
Creditors			
Amounts falling due after more than one year (note 8)	(7,712)	(9,398)	(7,948)
Total net assets	100,305	60,261	69,126
Capital and reserves			
Called up share capital	3,490	3,110	3,266
Share premium	16,419	7,674	10,795
Capital redemption reserve	21,521	21,521	21,521
Capital reserve	63,396	32,296	37,998
Revenue reserve	(4,521)	(4,340)	(4,454)
Shareholders' funds	100,305	60,261	69,126
Net asset value per ordinary share (after deducting borrowings at fair value) (note 9)	287.3p	193.6p	211.6p
Net asset value per ordinary share (after deducting borrowings at par value)	287.4p	193.8p	211.7p
Ordinary shares in issue (note 10)	34,900,497	31,100,497	32,655,517

Reconciliation of Movements in Shareholders' Funds (unaudited)

For the six months ended 31 July 2013

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve * £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 Feb 2013	3,266	10,795	21,521	37,998	(4,454)	69,126
Ordinary shares issued (note 10)	224	5,624	–	–	–	5,848
Net return on ordinary activities after taxation	–	–	–	25,398	(67)	25,331
Shareholders' funds at 31 July 2013	3,490	16,419	21,521	63,396	(4,521)	100,305

For the six months ended 31 July 2012

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve * £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 Feb 2012	3,110	7,674	21,521	26,932	(4,432)	54,805
Net return on ordinary activities after taxation	–	–	–	5,364	92	5,456
Shareholders' funds at 31 July 2012	3,110	7,674	21,521	32,296	(4,340)	60,261

For the year ended 31 January 2013

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve * £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 Feb 2012	3,110	7,674	21,521	26,932	(4,432)	54,805
Ordinary shares issued	156	3,121	–	–	–	3,277
Net return on ordinary activities after taxation	–	–	–	11,066	(22)	11,044
Shareholders' funds at 31 January 2013	3,266	10,795	21,521	37,998	(4,454)	69,126

* The Capital reserve includes investment holding gains of £45,093,000 (31 July 2012 – gains of £18,387,000; 31 January 2013 – gains of £21,361,000).

Condensed Cash Flow Statement (unaudited)

	Six months to 31 July 2013 £'000	Six months to 31 July 2012 £'000	Year to 31 January 2013 £'000
Net cash inflow from operating activities	28	248	309
Net cash outflow from servicing of finance	(86)	(104)	(209)
Total tax paid	(47)	(48)	(82)
Net cash outflow from financial investment	(7,289)	(502)	(2,481)
Net cash outflow before financing	(7,394)	(406)	(2,463)
Ordinary shares issued	5,848	–	3,277
(Decrease)/increase in cash	(1,546)	(406)	814
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period	(1,546)	(406)	814
Exchange movement on bank loan	236	159	1,609
Exchange differences on cash	10	(17)	(148)
Movement in net debt in the period	(1,300)	(264)	2,275
Net debt at start of the period	(5,570)	(7,845)	(7,845)
Net debt at end of the period	(6,870)	(8,109)	(5,570)
Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities			
Net return before finance costs and taxation	25,462	5,607	11,327
Gains on investments	(25,242)	(5,270)	(9,688)
Currency gains	(156)	(94)	(1,378)
Changes in debtors and creditors	(36)	5	48
Net cash inflow from operating activities	28	248	309

Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed financial statements for the six months to 31 July 2013 comprise the statements set out on pages 6 to 10 together with the related notes on pages 11 and 12. They 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 2013 and in accordance with the ASB's Statement 'Half-Yearly Financial Reports' and have not been audited or reviewed by the Auditors pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'.

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 loan covenants are reviewed by the Board on a regular basis. Accordingly, the Half-Yearly Financial Report has been prepared on the going concern basis as it is the Directors' opinion that the Company will continue in operational existence for the foreseeable future.

- 2 The financial information contained within this Half-Yearly 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 2013 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditors' Report on these accounts was not qualified and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006.

	Six months to 31 July 2013 £'000	Six months to 31 July 2012 £'000	Year to 31 January 2013 £'000
3 Net gains on investments			
Gains/(losses) on sales of investments	1,510	(496)	948
Movement in investment holding gains	23,732	5,766	8,740
	25,242	5,270	9,688

- 4 Baillie Gifford & Co are employed by the Company as Managers and Secretaries under a management agreement which is terminable on not less than six months' notice or on shorter notice in certain circumstances. With effect from 1 April 2013 the annual management fee is 0.95% on the first £50m of net assets and 0.65% on the remaining net assets, calculated quarterly. The annual fee previously was 1.0% of net assets, calculated quarterly.
- 5 The Company suffers overseas withholding tax on its equity income currently at the rate of 7.15%.
- 6 No interim dividend will be declared.

	Six months to 31 July 2013 £'000	Six months to 31 July 2012 £'000	Year to 31 January 2013 £'000
7 Net return per ordinary share			
Revenue return	(67)	92	(22)
Capital return	25,398	5,364	11,066
Total Return	25,331	5,456	11,044

Net return per ordinary share is based on the above totals of revenue and capital and on 34,001,554 (31 July 2012 – 31,100,497 and 31 January 2013 – 31,146,303) 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.

Notes to the Condensed Financial Statements (unaudited)

- 8** The amounts falling due after more than one year include a bank loan of £7,712,000 (¥1.15 billion) outstanding under a yen loan facility repayable on 8 August 2014 (31 July 2012 – £9,398,000 (¥1.15 billion); 31 January 2013 – £7,948,000 (¥1.15 billion)).
- 9** The fair value of the bank loan at 31 July 2013 was £7,737,000 (31 July 2012 – £9,457,000; 31 January 2013 – £7,990,000).
- 10** 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, 2,244,980 shares were issued at a premium to net asset value raising net proceeds of £5,848,000. No shares were bought back during the period under review.
- 11** 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 £7,000 (31 July 2012 – £3,000; 31 January 2013 – £11,000) and transaction costs on sales amounted to £3,000 (31 July 2012 – £2,000; 31 January 2013 – £8,000).
- 12** 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, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles.

Baillie Gifford's Investment Trust Share Plan

You can invest from a minimum of £250 or from £30 per month. The plan is designed to be a cost-effective way of saving on a regular or lump sum basis.

Baillie Gifford's Investment Trust ISA

You can invest in a tax efficient way by investing a minimum of £2,000 or from £100 per month or by transferring an ISA with a value of at least £2,000 from your existing manager.

Baillie Gifford's Children's Savings Plan

A cost-effective plan tailored especially to meet the requirements to save for children. You can invest a minimum of £100 or from £25 per month.

Online Management Service

You can open and manage your Share Plan, Children's Savings Plan* and/or ISA online, through our secure Online Management Service (OMS) which can be accessed through the Baillie Gifford

website at www.bailliegifford.com/OMS. As well as being able to view the details of your plan online, the service also allows you to:

- get current valuations;
- make lump sum investments;
- switch between investment trusts;
- set up a direct debit to make regular investments; and
- update certain personal details.

* Please note that a Bare Trust cannot be opened via OMS. A Bare Trust application form must be completed.

Certain restrictions apply when there is more than one holder.

The information about the ISA, Share Plan and Children's Savings Plan has been approved by Baillie Gifford Savings Management Limited (BGSM).

BGSM is the ISA Manager, the Manager of the Share Plan and Children's Savings Plan. BGSM is wholly owned by Baillie Gifford & Co. Both are authorised and regulated by the Financial Conduct Authority and both are based at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN. Baillie Gifford only provides information about its products

Further Shareholder Information

and does not provide investment advice. The staff of Baillie Gifford and Shin Nippon's Directors may hold shares in Shin Nippon and may buy or sell such shares from time to time.

Risk Warnings

Past performance is not a guide to future performance.

Shin Nippon is a listed UK company. As a result, 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. You should view your investment as long term.

As 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.

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

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.

Shin Nippon can make use of derivatives. The use of derivatives may impact on its performance.

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.

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

As the aim of 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.

This favourable tax treatment of ISAs may change.

The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

The information and opinions expressed within this half yearly financial report are subject to change without notice. This information has been issued and approved by Baillie Gifford & Co and does not in any way constitute investment advice.

Details of other risks that apply to investment in the savings vehicles shown on page 12 are contained in the product brochures.

Directors

Chairman:
BM Rose

PF Charig
IA McLaren
MR Somerset Webb
SCN Somerville

Managers, Secretaries and Registered Office

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Company registration
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ISIN GB0000706274
Sedol 0070627
Ticker BGS

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