

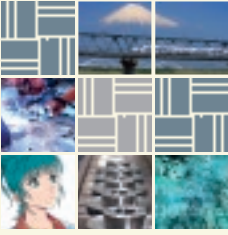
BAILLIE GIFFORD SHIN NIPPON PLC

Investing in new
opportunities in Japan



Half-Yearly Financial Report
31 July 2014





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 2014. 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 – 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.

Discount/Premium Volatility – the risk that the premium or discount can change; and

Gearing Risk – the use of borrowing can magnify the impact of falling markets.

Further information can be found on pages 7 and 8 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 2014

Summary of Unaudited Results

	31 July 2014	31 January 2014	% change
Shareholders' funds	£116.7m	£114.0m	
Net asset value per ordinary share (after deducting borrowings at fair value)†	311.6p	307.8p	1.2
Share price	324.6p	328.0p	(1.0)
Comparative index*			4.3
Premium (borrowings at fair value)†	4.2%	6.6%	

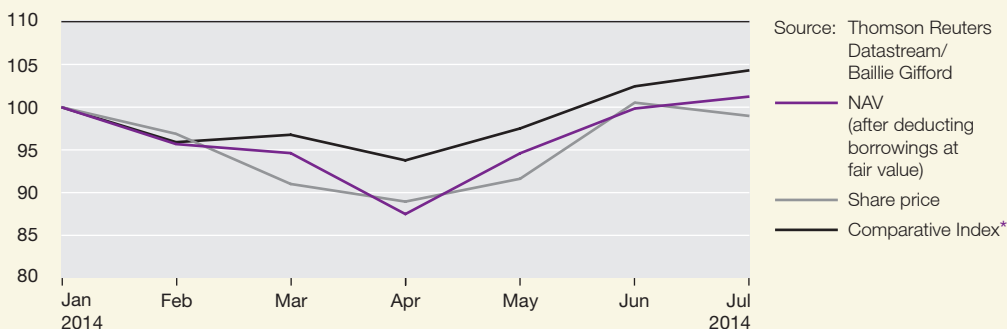
Period's high and low	Six months to 31 July 2014		Year to 31 January 2014	
	High	Low	High	Low
Net asset value per ordinary share (after deducting borrowings at fair value)†	317.6p	265.5p	314.9p	206.4p
Share price	334.8p	284.0p	340.3p	221.0p
Premium/(discount) (borrowings at fair value)†	12.9%	0.3%	10.5%	(10.9%)

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 2014)



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

Longer Term Performance at 31 July 2014

	3 Years	5 Years	10 Years
Net asset value per ordinary share	67.1%	147.5%	84.3%
Share price	81.9%	198.5%	107.4%
Comparative index#	25.2%	56.4%	60.3%

Source: Thomson Reuters Datastream/Baillie Gifford.

#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.

Past performance is not a guide to future performance.

Half-Yearly Management Report

The performance of Japanese markets generally lagged other global indices over the period as market participants tried to ascertain the impact that the April increase in consumption tax was having on the broader recovery in the Japanese economy. In the six months to 31 July 2014, Shin Nippon's net asset value per share* rose by 1.2% compared to a 4.3% rise in the MSCI Japan Small Cap index (all total return in sterling terms).

It is not clear yet whether recent signs that the domestic recovery may be losing a little momentum are anything other than seasonal noise. However, the external environment has not been particularly supportive for Japanese exporters.

That said, we believe that the success or failure of smaller businesses is ultimately driven by the actions of the companies, rather than by the vacillations of the macro-economy. Many of our holdings are leaders in niche markets that are capable of expanding irrespective of what is happening in the broader economy. Others are gaining share from sleepy, larger incumbents by adopting new, disruptive business models that present end customers with a more compelling value proposition.

Over the six month period there were several very strong performers within the portfolio. WirelessGate offers a cheap, comprehensive Wi-Fi service that is available in most public spaces in Japan. De-regulation of the telecoms market forced the major carriers to open up their networks, so WirelessGate customers can now conveniently switch quickly between whatever Wi-Fi point is closest to them. Iriso Electronics performed well as demand for its specialist electronic connectors rose due to the increasing amount of electronics incorporated into new cars. In general, robotics related stocks had a strong period of performance as demand from Chinese factories rebounded and new robotic applications gained traction. Harmonic Drive, our holding that produces the highly accurate gears that control the movement of precision robotic arms, was

no exception. Its gears are needed for both factory automation robotics and many of the service/healthcare robots that are being developed around the world.

Given the slightly uncertain domestic economic environment during the period, some of our holdings with steadier growth outlooks and solid positions in developing markets were positive contributors to performance. In healthcare, Sysmex, the blood testing equipment manufacturer increased its overseas market share, while Nakanishi, one of the leading makers of dental drilling equipment, benefited from the weaker yen. Meanwhile, Calbee and Pigeon continued to expand their respective branded snacks and baby goods businesses in the rest of Asia.

Internet related stocks were generally weaker, giving back a little of last year's strong performance and contributing to the more recent underperformance against the comparative index. This affected a number of our 'new economy' holdings but two stocks, connected to the secular shift within advertising budgets towards online spending, were especially weak. The long term growth potential for F@N Communications and Cyberagent continues to look promising, but the increased debate over how best to exploit the huge opportunity in mobile advertising is causing some short term confusion in the market. Recent purchase Oisix, the online organic grocery company, was also weak. We believe that its strategy of investing more in marketing to gain critical mass will pay off in the long term as the utilisation of the company's distribution infrastructure improves.

Given our long term investment approach, it is unsurprising to report that the turnover of stocks within the portfolio remains low. A new holding was taken in a company called Cookpad that aggregates recipes online. A large proportion of the Japanese population use the site regularly for cooking inspiration and recent moves by the management

*After deducting borrowings at fair value.

Past performance is not a guide to future performance.

team suggest that Cookpad finally has worked out a way to monetise its large user-base. Supermarkets and food companies are becoming keener to spend on direct marketing to Cookpad's users. We also bought a small holding in Cyberdyne at its IPO. This is a company that we first met last year and which is at the forefront of global efforts to use robotic exo-skeleton suits to help with the rehabilitation of patients who have suffered strokes. The company's competitive edge lies in its complex sensors that allow the suits to react to the signals that the brain is trying to send to the limbs. Over time, patients' muscles relearn the movements that they have forgotten.

Shin Nippon continues to focus on investing in stocks that represent the new, exciting side of corporate Japan. Our holdings are typically driving change in their own specific market and we continue to find many up-and-coming management teams trying to do the same in different areas. The emergence of businesses like Cyberdyne give us some reassurance that there continues to be innovative, small Japanese companies developing in Japan, businesses with globally relevant technologies that could solve some of the world's big problems.

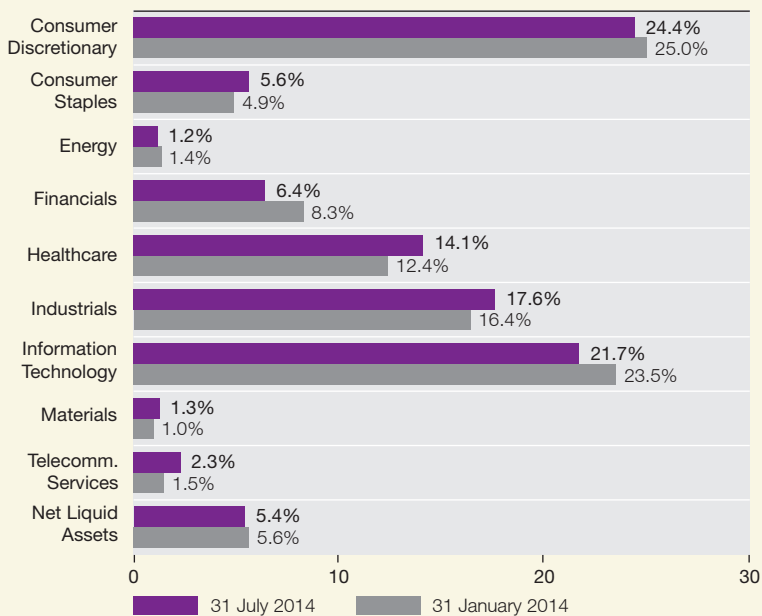
The principal risks and uncertainties facing the Company are set out on the inside front cover of this report.

Twenty Largest Equity Holdings at 31 July 2014

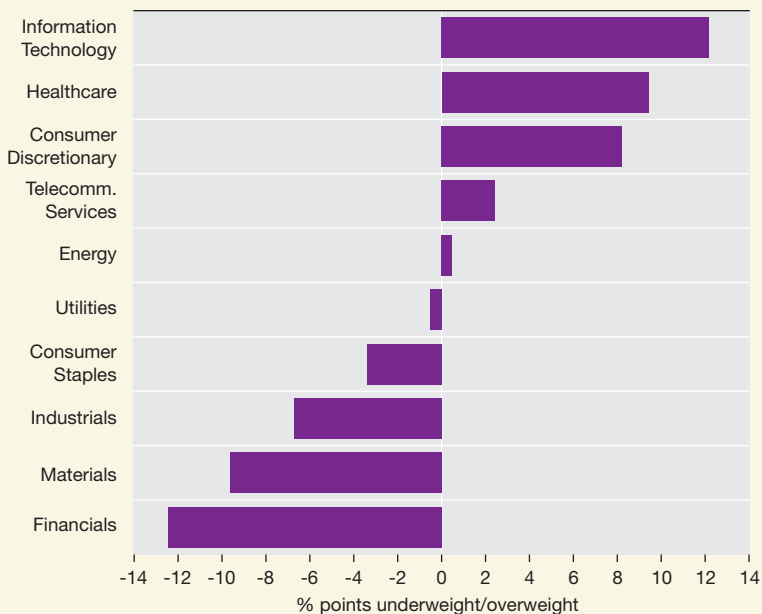
Name	Business	Value £'000	% of total assets
MonotaRO	Online business supplies	4,151	3.1
Iriso Electronics	Specialist electronic connectors	3,812	2.8
Infomart	Internet platform for restaurant supplies	3,325	2.4
Nihon M&A Center	M&A advisory services	3,197	2.4
WirelessGate	Wireless communication services	3,138	2.3
Start Today	Internet fashion retailer	3,061	2.3
Nakanishi	Dental equipment	3,048	2.2
M3	Online pharmaceutical marketing	3,004	2.2
Asics	Sports shoes and clothing	2,941	2.2
F@N Communications	Internet advertising services	2,924	2.2
Asahi Intecc	Specialist medical equipment	2,767	2.0
Message	Nursing services for the elderly	2,718	2.0
Don Quijote	Discount store chain	2,546	1.9
Nifco	Industrial fastener manufacturer	2,441	1.8
Pigeon	Baby care products	2,429	1.8
SMS	Online nurse recruitment	2,402	1.8
Nabtesco	Robotic components	2,265	1.7
GMO Payment Gateway	Online payment processing	2,254	1.7
Cookpad	Recipe website	2,218	1.6
H.I.S.	Discount travel agency	2,201	1.6
		56,842	42.0

Distribution and Relative Weightings

Distribution of Total Assets



Portfolio Weightings relative to Comparative Index* at 31 July 2014



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

Income Statement (unaudited)

	For the six months ended 31 July 2014		
	Revenue £'000	Capital £'000	Total £'000
Net gains on investments (note 3)	–	932	932
Currency gains	–	427	427
Income from investments	776	–	776
Investment management fee (note 4)	(427)	–	(427)
Other administrative expenses	(177)	–	(177)
Net return before finance costs and taxation	172	1,359	1,531
Finance costs of borrowings	(255)	–	(255)
Net return on ordinary activities before taxation	(83)	1,359	1,276
Tax on ordinary activities (note 5)	(78)	–	(78)
Net return on ordinary activities after taxation	(161)	1,359	1,198
Net return per ordinary share (note 7)	(0.44p)	3.68p	3.24p

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.

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 2013			For the year ended 31 January 2014		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	25,242	25,242	–	32,841	32,841
–	156	156	–	858	858
640	–	640	1,259	–	1,259
(433)	–	(433)	(869)	–	(869)
(143)	–	(143)	(301)	–	(301)
64	25,398	25,462	89	33,699	33,788
(85)	–	(85)	(231)	(15)	(246)
(21)	25,398	25,377	(142)	33,684	33,542
(46)	–	(46)	(97)	–	(97)
(67)	25,398	25,331	(239)	33,684	33,445
(0.20p)	74.70p	74.50p	(0.69p)	96.62p	95.93p

Balance Sheet (unaudited)

	At 31 July 2014 £'000	At 31 July 2013 £'000	At 31 January 2014 £'000
Fixed asset investments			
Listed equities	128,541	107,293	126,381
Current assets			
Debtors	249	513	202
Cash and short term deposits	7,500	842	7,606
	7,749	1,355	7,808
Creditors			
Amounts falling due within one year	(352)	(631)	(361)
Net current assets	7,397	724	7,447
Total assets less current liabilities	135,938	108,017	133,828
Creditors			
Amounts falling due after more than one year (note 8)	(19,191)	(7,712)	(19,867)
Total net assets	116,747	100,305	113,961
Capital and reserves			
Called up share capital	3,718	3,490	3,668
Share premium account	23,321	16,419	21,783
Capital redemption reserve	21,521	21,521	21,521
Capital reserve	73,041	63,396	71,682
Revenue reserve	(4,854)	(4,521)	(4,693)
Shareholders' funds	116,747	100,305	113,961
Net asset value per ordinary share (after deducting borrowings at fair value) (note 9)	311.6p	287.3p	307.8p
Net asset value per ordinary share (after deducting borrowings at par value)	313.8p	287.4p	310.4p
Ordinary shares in issue (note 10)	37,175,497	34,900,497	36,675,497

Reconciliation of Movements in Shareholders' Funds (unaudited)

For the six months ended 31 July 2014

	Called up 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 2014	3,668	21,783	21,521	71,682	(4,693)	113,961
Ordinary shares issued (note 10)	50	1,538	–	–	–	1,588
Net return on ordinary activities after taxation	–	–	–	1,359	(161)	1,198
Shareholders' funds at 31 July 2014	3,718	23,321	21,521	73,041	(4,854)	116,747

For the six months ended 31 July 2013

	Called up 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 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 year ended 31 January 2014

	Called up 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 2013	3,266	10,795	21,521	37,998	(4,454)	69,126
Ordinary shares issued (note 10)	402	10,988	–	–	–	11,390
Net return on ordinary activities after taxation	–	–	–	33,684	(239)	33,445
Shareholders' funds at 31 January 2014	3,668	21,783	21,521	71,682	(4,693)	113,961

* The Capital reserve includes investment holding gains of £50,993,000 (31 July 2013 – gains of £45,093,000; 31 January 2014 – gains of £49,993,000).

Condensed Cash Flow Statement (unaudited)

	Six months to 31 July 2014 £'000	Six months to 31 July 2013 £'000	Year to 31 January 2014 £'000
Net cash inflow from operating activities	118	28	94
Net cash outflow from servicing of finance	(249)	(86)	(195)
Total tax paid	(78)	(47)	(89)
Net cash outflow from financial investment	(1,222)	(7,289)	(18,934)
Net cash outflow before financing	(1,431)	(7,394)	(19,124)
Ordinary shares issued	1,588	5,848	11,390
Bank loan repaid	–	–	(6,882)
Bank loan drawn down	–	–	19,926
Net cash inflow from financing	1,588	5,848	24,434
Increase/(decrease) in cash	157	(1,546)	5,310
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period	157	(1,546)	5,310
Net inflow from bank loans	–	–	(13,044)
Exchange movement on bank loan	685	236	1,128
Exchange differences on cash	(263)	10	(82)
Other non-cash changes	(9)	–	(3)
Movement in net debt in the period	570	(1,300)	(6,691)
Net debt at start of the period	(12,261)	(5,570)	(5,570)
Net debt at end of the period	(11,691)	(6,870)	(12,261)
Reconciliation of net return before finance costs and taxation to net cash inflow from operating activities			
Net return before finance costs and taxation	1,531	25,462	33,788
Gains on investments	(932)	(25,242)	(32,841)
Currency gains	(427)	(156)	(858)
Changes in debtors and creditors	(54)	(36)	5
Net cash inflow from operating activities	118	28	94

Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed financial statements for the six months to 31 July 2014 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 2014 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 investments, which are in readily realisable quoted securities, 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 2014 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 2014 £'000	Six months to 31 July 2013 £'000	Year to 31 January 2014 £'000
3 Net gains on investments			
(Losses)/gains on sales of investments	(68)	1,510	4,209
Movement in investment holding gains	1,000	23,732	28,632
	932	25,242	32,841

- 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 with effect from 1 July 2014. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on six months' notice. 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 10%.

- 6 No interim dividend will be declared.

	Six months to 31 July 2014 £'000	Six months to 31 July 2013 £'000	Year to 31 January 2014 £'000
7 Net return per ordinary share			
Revenue return	(161)	(67)	(239)
Capital return	1,359	25,398	33,684
Total Return	1,198	25,331	33,445

Net return per ordinary share is based on the above totals of revenue and capital and on 36,899,254 (31 July 2013 – 34,001,554 and 31 January 2014 – 34,861,637) 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 £19,191,000 (¥3.35 billion) outstanding under a yen loan facility repayable on 27 November 2020 (31 July 2013 – £7,712,000 (¥1.15 billion) and 31 January 2014 – £19,867,000 (¥3.35 billion)).
- 9** The fair value of the bank loan at 31 July 2014 was £20,097,000 (31 July 2013 – £7,737,000; 31 January 2014 – £20,945,000).
- 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, 500,000 shares were issued at a premium to net asset value raising net proceeds of £1,588,000. 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 £3,000 (31 July 2013 – £7,000; 31 January 2014 – £16,000) and transaction costs on sales amounted to £2,000 (31 July 2013 – £3,000; 31 January 2014 – £6,000).
- 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:

- obtain current valuations;
- make lump sum investments, except where there is more than one holder;
- sell part or all of your holdings, except where there is more than one holder;
- switch between investment trusts, except where there is more than one holder;
- set up a direct debit to make regular investments, except where there is more than one holder; and
- update certain personal details e.g. address and telephone number.

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

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

Further Shareholder Information

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 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. 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.

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 invested 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 which may impact on its performance. Currently the Company does not make use of derivatives.

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.

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 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.

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

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 half yearly 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.

Directors

Chairman:
BM Rose

PF Charig
MN Donaldson
IA McLaren
MR Somerset Webb
SCN Somerville

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