

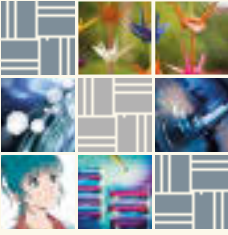
BAILLIE GIFFORD SHIN NIPPON PLC

Investing in new
opportunities in Japan



Interim Financial Report
31 July 2016





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, regulatory risk, custody and depositary risk, small company risk, operational risk, premium/discount volatility, leverage risk and political risk. An explanation of these risks and how they are managed is set out on pages 6 and 7 of the Company's Annual Report and Financial Statements for the year to 31 January 2016 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).

By order of the Board
MN Donaldson
Chairman
19 September 2016

Summary of Unaudited Results

	31 July 2016	31 January 2016	% change
Shareholders' funds	£222.0m	£163.4m	
Net asset value per ordinary share (after deducting borrowings at fair value)†	558.2p	431.0p	29.5
Share price	589.5p	448.0p	31.6
Comparative index*			23.0
Premium (borrowings at fair value)†	5.6%	3.9%	
Active share#	93%	94%	

	Six months to 31 July 2016		Year to 31 January 2016	
Period's high and low	High	Low	High	Low
Net asset value per ordinary share (after deducting borrowings at fair value)†	580.2p	374.8p	453.9p	328.2p
Share price	598.8p	386.0p	468.0p	317.0p
Premium/(discount) (borrowings at fair value)†	9.6%	(5.3%)	7.7%	(11.9%)

Notes

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

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.

Longer Term Performance at 31 July 2016

	3 Years	5 Years	10 Years
Net asset value per ordinary share	94.3%	199.3%	160.8%
Share price	99.5%	230.3%	185.5%
Comparative index*	55.9%	85.5%	95.3%

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.

Interim Management Report

The first half of the year witnessed increased volatility across global markets. The EU referendum result in the UK, concerns over global growth and China in particular, rising scepticism over unconventional monetary policy by central banks and speculation over the timing of a rise in US interest rates all served to heighten market uncertainty. In addition, and for Japan in particular, a sluggish GDP reading and a strong currency meant that markets in general were quite weak during this period.

Despite weakness in the broader markets, Japanese smaller companies have held up well. Sterling based investors benefitted from a stronger Yen. In the six months to 31 July 2016, Shin Nippon's net asset value per share (after deducting borrowings at fair value) rose by 29.5% compared to a 23% rise in the MSCI Japan Small Cap index.

Following a weaker than expected GDP reading in Japan, both the Abe administration and the Bank of Japan have announced a number of supportive measures. An additional fiscal stimulus over the next few years and increased buying of index funds by the Bank of Japan are amongst a slew of measures that have been put in place to support the economy and shore up confidence in markets. The Corporate Governance Code which was introduced in Japan on 1st June last year is continuing to have a positive effect on management attitudes. Dividend pay-out ratios continue to rise and share buybacks are now at an all time high, which is good news for the reputation of the overall Japanese market. We believe that the majority of Shin Nippon's holdings are managed by younger, more progressive management.

There was a noticeable investor rotation towards undervalued real estate related names. Beneficiaries of this were stocks such as the specialist condominium builder Takara Leben. Japan is in need of a significant overhaul of its ageing infrastructure, more so in light of the 2020 Tokyo Olympics, and this is where a significant portion of the government's new fiscal stimulus is likely to be

spent. Infrastructure related names such as Sho-Bond, which specialises in reinforcing concrete structures such as bridges, highways and tunnels, were particularly strong on the back of this announcement.

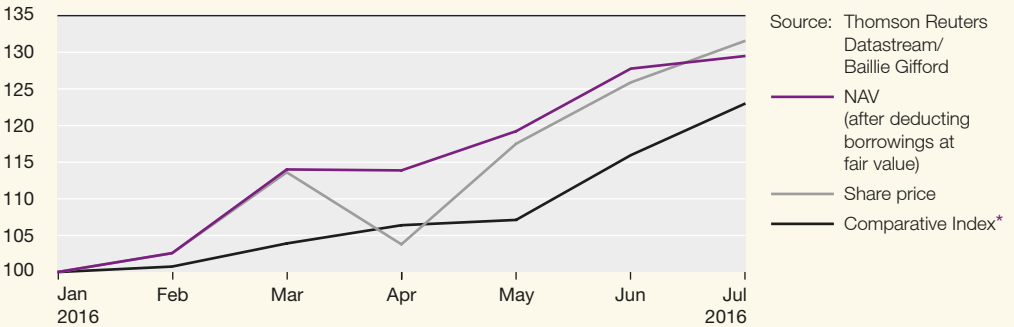
Amongst the other strongest performers in the portfolio were several of the long term internet related holdings. Their focus on rapidly expanding domestic niche markets allowed these businesses to open up new revenue opportunities. Start Today, which operates the leading online apparel marketplace, MonotaRO, which operates a website that sells millions of maintenance and repair related items required by small businesses on a daily basis, and M3, which provides online marketing support for pharmaceutical companies, all continued to grow rapidly. Many of these internet businesses are reaching the point where they become sufficiently dominant in their niche that it is possible to start increasing the charges that they levy on their customers. If successful, this should increase the profitability of these businesses.

Turnover within the portfolio remains relatively low; however a few new holdings were taken over the six months. The market for trade receivable guarantees in Japan is still in its infancy compared to other developed markets. eGuarantee is emerging as the dominant player in this large and lucrative market. It is backed by the trading company Itochu, which is also its largest shareholder. Through Itochu's extensive business links, eGuarantee has unparalleled access to small and medium sized businesses that are still in the early stages of improving their balance sheet and working capital management. The ongoing labour shortage in Japan provides an excellent long term growth opportunity for staffing companies, and IT recruitment specialist TechnoPro is among the chief beneficiaries of this trend. Seria is Japan's leading ¥100 store operator. Led by a young, ambitious and dynamic president, the company is using its in-house developed inventory management technology to disrupt what remains a very old-fashioned industry.

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 2016)



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

There have been further signs that the range of investment opportunities for Shin Nippon continues to broaden out. The environment for new listings continues to be healthy and we took a new holding in a relatively recent IPO, Healios. The company is developing a treatment for age related blindness based on stem cell technologies. We continue to believe that the long term prospects for the Japanese biotech industry are improving. Lastly, a new holding was taken in DesignOne, which creates and manages websites for micro and small businesses. This is a segment with a large number of companies but one that remains under-served. These businesses usually have no experience of using the internet and with DesignOne's help, they are able to develop an online presence and advertise their services to a larger customer base, thereby increasing their business opportunities.

Shin Nippon continues to focus on investing in the most dynamic and innovative smaller businesses that are emerging in Japan. The short term volatility that we are currently witnessing presents us with an excellent opportunity to invest in attractively valued, exciting high growth companies with the potential to deliver rapid earnings growth for a number of years.

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

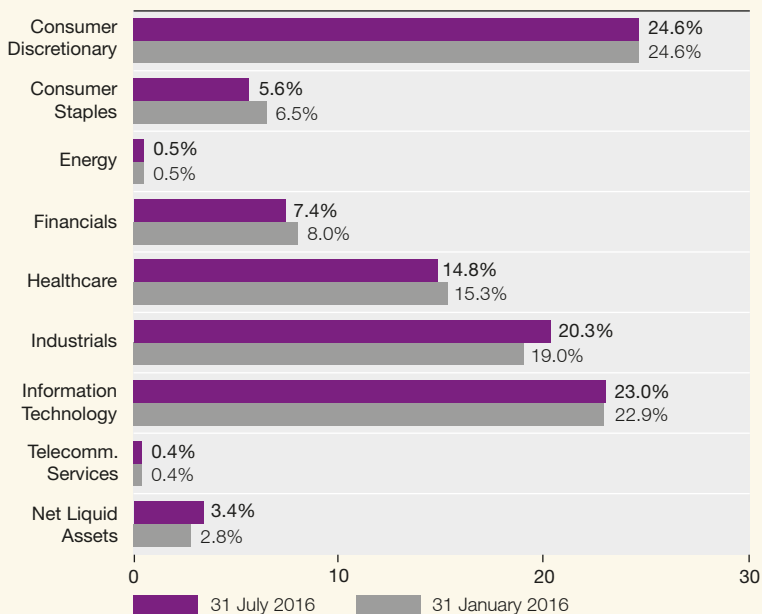
Baillie Gifford & Co

Twenty Largest Equity Holdings at 31 July 2016

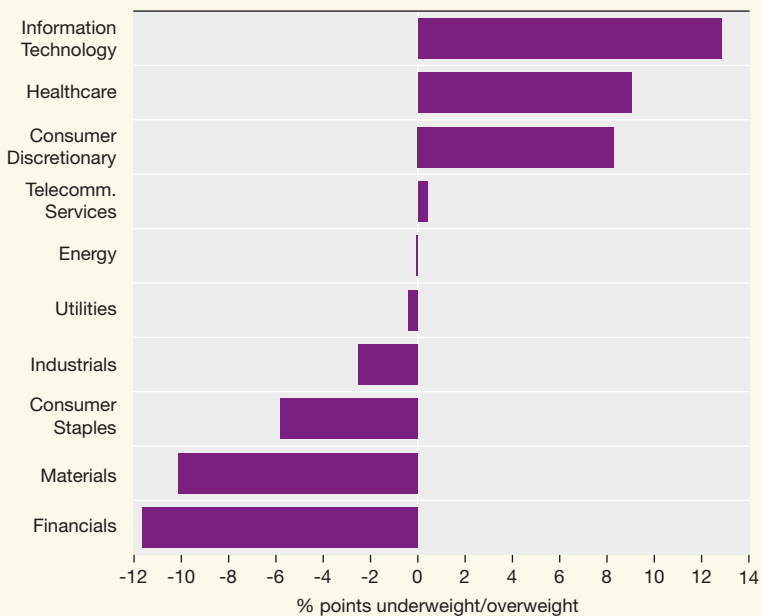
Name	Business	Value £'000	% of total assets
iStyle	Cosmetics website	7,423	3.0
Next	Provides online property information	7,089	2.9
Nihon M&A Center	M&A advisory services	6,999	2.8
MonotaRO	Online business supplies	6,987	2.8
M3	Online medical services	6,514	2.6
Asahi Intecc	Specialist medical equipment	6,476	2.6
Start Today	Internet fashion retailer	6,270	2.5
Yonex	Manufacture and sale of sporting goods	6,077	2.5
Harmonic Drive	Robotic components	5,773	2.3
GMO Payment Gateway	Online payment processing	5,567	2.3
Nifco	Industrial fastener manufacturer	5,290	2.1
Takara Leben	Residential property developer	5,158	2.1
Toshiba Plant Systems and Services	Plant engineering company	4,659	1.9
Infomart Corp	Internet platform for restaurant supplies	4,628	1.9
Pigeon	Baby care products	4,602	1.9
Hoshizaki Electric	Commercial kitchen equipment	4,590	1.9
Iriso Electronics	Specialist auto connectors	4,230	1.7
Yume No Machi	Online meal delivery service	4,113	1.7
Cyberagent	Internet advertising and content	4,073	1.7
Sho-Bond	Infrastructure reconstruction	4,028	1.6
		110,546	44.8

Distribution and Relative Weightings

Distribution of Total Assets



Portfolio Weightings relative to Comparative Index* at 31 July 2016



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

Income Statement (unaudited)

Net gains on investments (note 3)

Currency (losses)/gains

Income from investments

Investment management fee (note 4)

Other administrative expenses

Net return before finance costs and taxation

Finance costs of borrowings

Net return on ordinary activities before taxation

Tax on ordinary activities (note 5)

Net return on ordinary activities after taxation

Net return per ordinary share (note 7)

For the six months ended 31 July 2016			For the six months ended 31 July 2015		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	52,676	52,676	–	20,455	20,455
–	(4,123)	(4,123)	–	1,343	1,343
1,315	–	1,315	777	–	777
(741)	–	(741)	(546)	–	(546)
(182)	–	(182)	(180)	–	(180)
392	48,553	48,945	51	21,798	21,849
(259)	–	(259)	(200)	–	(200)
133	48,553	48,686	(149)	21,798	21,649
(132)	–	(132)	(78)	–	(78)
1	48,553	48,554	(227)	21,798	21,571
–	126.84p	126.84p	(0.61p)	58.63p	58.02p

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.

Balance Sheet (unaudited)

	At 31 July 2016 £'000	At 31 January 2016 £'000
Fixed asset investments		
Listed equities	238,108	177,731
Current assets		
Debtors	538	595
Cash and cash equivalents	9,305	5,106
	9,843	5,701
Creditors		
Amounts falling due within one year	(1,451)	(615)
Net current assets	8,392	5,086
Total assets less current liabilities	246,500	182,817
Creditors		
Amounts falling due after more than one year (note 8)	(24,528)	(19,427)
Total net assets	221,972	163,390
Capital and reserves		
Called up share capital	3,963	3,778
Share premium account	35,576	25,733
Capital redemption reserve	21,521	21,521
Capital reserve	166,268	117,715
Revenue reserve	(5,356)	(5,357)
Shareholders' funds	221,972	163,390
Net asset value per ordinary share (after deducting borrowings at book value)	560.2p	432.5p
Net asset value per ordinary share (after deducting borrowings at fair value) (note 9)	558.2p	431.0p
Net asset value per ordinary share (after deducting borrowings at par value)	559.9p	432.3p
Ordinary shares in issue (note 10)	39,625,497	37,775,497

Statement of Changes in Equity (unaudited)

For the six months ended 31 July 2016

	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 2016	3,778	25,733	21,521	117,715	(5,357)	163,390
Ordinary shares issued (note 10)	185	9,843	–	–	–	10,028
Net return on ordinary activities after taxation	–	–	–	48,553	1	48,554
Shareholders' funds at 31 July 2016	3,963	35,576	21,521	166,268	(5,356)	221,972

For the six months ended 31 July 2015

	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 2015	3,718	23,317	21,521	85,146	(5,067)	128,635
Ordinary shares issued (note 10)	10	409	–	–	–	419
Net return on ordinary activities after taxation	–	–	–	21,798	(227)	21,571
Shareholders' funds at 31 July 2015	3,728	23,726	21,521	106,944	(5,294)	150,625

* The Capital reserve includes investment holding gains of £127,336,000 (31 July 2015 – gains of £73,563,000).

Condensed Cash Flow Statement (unaudited)

	Six months to 31 July 2016 £'000	Six months to 31 July 2015 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation	48,686	21,649
Net gains on investments	(52,676)	(20,455)
Currency losses/(gains)	4,123	(1,343)
Finance costs of borrowings	259	200
Overseas withholding tax	(129)	(85)
Changes in debtors and creditors	53	68
Cash from operations	316	34
Interest paid	(232)	(209)
Net cash inflow/(outflow) from operating activities	84	(175)
Net cash (outflow)/inflow from investing activities	(6,725)	1,080
Ordinary shares issued	10,028	419
Net cash inflow from financing activities	10,028	419
Increase in cash and cash equivalents	3,387	1,324
Exchange movements	812	(392)
Cash and cash equivalents at start of period	5,106	8,181
Cash and cash equivalents at end of period*	9,305	9,113

* 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 2016 comprise the statements set out on pages 6 to 10 together with the related notes on pages 11 and 12. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and have not been audited or reviewed by the Auditors pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Financial Statements for the six months to 31 July 2016 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 2016.

Fair Value

In accordance with FRS 102 and FRS 104 fair value measurements have been classified using the following fair value hierarchy:

Level 1 – reflects financial instruments quoted in an active market.

Level 2 – reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables includes only data from observable markets.

Level 3 – reflects financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data.

All of the Company's investments fall into Level 1 for the periods reported.

Going Concern

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 the Interim 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 2016 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, did not include a reference to any matters to which the Auditors 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 2016 £'000	Six months to 31 July 2015 £'000
3 Net gains on investments		
Gains on sales of investments	8,308	5,943
Movement in investment holding gains	44,368	14,512
	52,676	20,455

Notes to the Condensed Financial Statements (unaudited)

- 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. The annual management fee is 0.95% on the first £50m of net assets and 0.65% on the remaining net assets, calculated quarterly.

With effect from 1 September 2016, the Company's annual management fee will be calculated at 0.95% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remainder. The fee will continue to be calculated and paid on a quarterly basis.

- 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 2016 £'000	Six months to 31 July 2015 £'000
7 Net return per ordinary share		
Revenue return	1	(227)
Capital return	48,553	21,798
Total Return	48,554	21,571

Net return per ordinary share is based on the above totals of revenue and capital and on 38,280,167 (31 July 2015 – 37,178,812) 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** The amounts falling due after more than one year include a bank loan of £24,528,000 (¥3.35 billion) outstanding under a yen loan facility repayable on 27 November 2020 (31 January 2016 – £19,427,000 (¥3.35 billion)).
- 9** The fair value of the bank loan at 31 July 2016 was £25,323,000 (31 January 2016 – £20,022,000).
- 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, 1,850,000 shares were issued at a premium to net asset value raising net proceeds of £10,028,000 (31 July 2015 – 100,000 shares raising net proceeds of £419,000). No shares were bought back during the period under review (31 July 2015 – nil).
- 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 £14,000 (31 July 2015 – £4,000) and transaction costs on sales amounted to £7,000 (31 July 2015 – £5,000).
- 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 authorised and regulated by the Financial Conduct Authority. Baillie Gifford only provides information about its products and does not provide investment advice.

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 '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.

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.

(Risk Warnings continued on next page)

Risk Warnings (continued)

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.

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.

Details of other risks that apply to investment in the savings vehicles shown on page 13 are contained in the product brochures.

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

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.

The Common Reporting Standard

On 1 January 2016 a new piece of tax legislation, The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information ('The Common Reporting Standard'), came into effect.

The legislation requires Shin Nippon 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.

All new shareholders, excluding those whose shares are held in CREST, who come on to the share register with effect from 1 January 2016 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>.

Directors

Chairman:
MN Donaldson

PF Charig
IA McLaren
MR Somerset Webb
SCN Somerville

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