

# THE BAILLIE GIFFORD JAPAN TRUST PLC

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Interim Financial Report  
28 February 2021





## Policy and Objective

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

## Benchmark

The portfolio benchmark against which performance is measured is the TOPIX total return (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, smaller 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 August 2020 and is available on the Company's website: [japantrustplc.co.uk](http://japantrustplc.co.uk).

The principal risks and uncertainties have not changed since the date of the annual report with the exception of the ongoing situation regarding Covid-19. The Board and Managers continue to review the portfolio for the potential impact of the pandemic. The business continuity arrangements of the Managers and other third party service providers have proven to be robust with operations continuing largely as normal. Further detail on the Company's risks can be found on pages 16 and 17.

## 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 Guidance and Transparency Rule 4.2.7R (being an indication of important events that have occurred during the first six months of the financial year, their impact on the condensed set of 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 Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

On behalf of the Board  
J Keith R Falconer  
Chairman  
23 March 2021

## Summary of Unaudited Results

	28 February 2021	31 August 2020	% change
Shareholders' funds	£933.7m	£772.4m	
Net asset value per share (after deducting borrowings at fair value)*†	1006.3p	839.8p	19.8
Share price	1060.0p	817.0p	29.7
Premium/(discount) (borrowings at fair value)*†	5.3%	(2.7%)	
Active share*†	81%	82%	

	Six months to 28 February 2021	Six months to 29 February 2020
<b>Total returns (%)</b>		
Net asset value per share (after deducting borrowings at fair value)*†	20.4	(7.4)
Share price	30.3	(14.3)
TOPIX total return (in sterling terms)#	11.0	(5.1)

	Six months to 28 February 2021	Six months to 29 February 2020
Revenue earnings per share	3.40p	3.34p

	Six months to 28 February 2021		Year to 31 August 2020	
<b>Period's high and low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
Net asset value per share (after deducting borrowings at fair value)*†	1,081.3p	841.8p	860.7p	579.8p
Share price	1,132.0p	823.0p	848.0p	532.0p
Premium/(discount) (borrowings at fair value)*†	10.3%	(5.5%)	1.8%	(12.4%)

\* See Glossary of Terms and Alternative Performance Measures on pages 19 to 21.

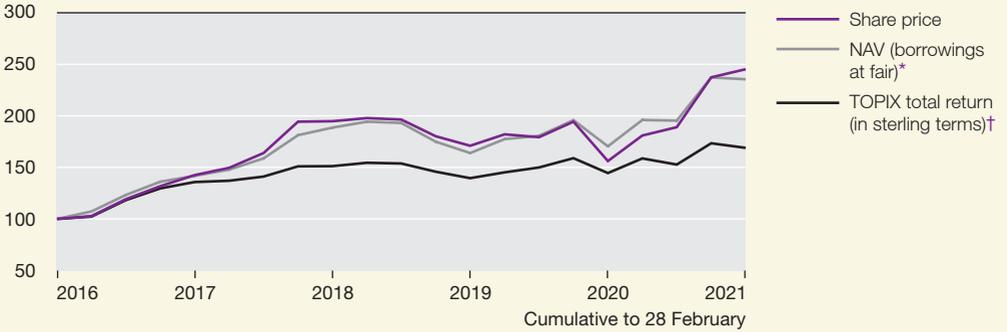
† Alternative performance measure.

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

Past performance is not a guide to future performance.

## Five Year Performance†

(figures rebased to 100 at 29 February 2016)



\* See Glossary of Terms and Alternative Performance Measures on pages 19 to 21.

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

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## Interim Management Report

During the six months to the end of February 2021 the NAV total return of your Company, after deducting borrowings at fair value, increased by 20.4% whilst the share price total return rose by 30.3% as the shares moved from a discount to a premium to NAV. The TOPIX increased by 11.0% on a total return basis (in sterling terms) during the period. While it has been a successful period, we would caution that six months is a very short time frame. In our view it is more helpful to consider investment over a longer time horizon.

Over the period four stocks contributed more than +0.5% to performance. In descending order of contribution they were SoftBank (+1.0%), Outsourcing (+0.9%), Sumitomo Metal Mining (+0.7%) and MonotaRO (+0.5%). We have commented in detail on the positive case for SoftBank in previous reports. In summary we think that it combines very good quality investments with a significant discount (to net worth) and an exceptional founder. It appears that these merits are becoming more widely recognised. Outsourcing is a staffing business that has delivered very rapid sales growth over recent years and is aiming to become one of the largest globally. Sumitomo Metal Mining benefits from combining resource assets and advanced smelting and materials technologies. Finally, MonotaRO acts as an online distributor, mainly of useful parts for companies. It is worth noting that each of these companies is quite different from the others, reflecting Japan Trust's style of finding growth investments across a variety of sectors. The use of gearing also made a positive (+0.9%) contribution.

On the negative side, the two largest negative contributors were Calbee (-0.5%) and Colopl (-0.5%). Calbee is Japan's leading maker of snacks and has been expanding internationally. Colopl is an entrepreneurial smartphone gaming business with interesting investments in virtual reality (VR) technologies. We remain confident in the long-term prospects of both and continue to hold the shares.

Over the period we bought four new holdings and sold three holdings. Turnover remained low in line with our long-term horizon. The new holdings have significant variety both in business line and size, but we hope share the common feature of attractive long-term growth prospects. Bridgestone, which we believe to be the world's leading tyre manufacturer, has experienced difficulties from lack of demand during the pandemic. However, in the long-term we believe tyres are 'shoes for cars' which means that demand will continue to grow regardless of whether the vehicle is powered electrically or by combustion engine and regardless of whether the car is being driven or is autonomous. GA Technologies provides online real-estate solutions and has succeeded in growing sales rapidly in recent years as well as benefitting from having the founder entrepreneur in charge. MS&AD Insurance is one of Japan's largest insurers. The Japanese market is unusual in that general insurers regularly make underwriting profits and the company has very significant balance sheet strength. With a large dividend yield we see significant upside in the shares. Finally, Tsubaki Nakashima is the world-leader in steel and ceramic ball bearings. Demand has been lower than usual in the current environment, but we expect it to recover and we believe that the company has significant long-term competitive strengths derived from scale and technology.

The sold holdings included M3, a medical website. It has been a holding for over a decade and will be missed. However, this is a rare case where the share price had appreciated to such an extent that we no longer had a sufficiently positive case to continue holding. Pan Pacific International, formerly known as Don Quijote, is a quirky retailer but it has become very large and looking forward we see more prospects for growth in some of our online holdings. Finally, MUFG Lease and Finance is a solid business but we believe that we can do better elsewhere.

## Interim Management Report (continued)

We also had a very unusual case of buying and selling a holding within the period. This was SoftBank Corporation, the separately listed domestic mobile business of SoftBank. We were encouraged by the progress the company was making, through investing in internet assets, to move beyond being a traditional telecom company. However, after taking a holding, it was announced that NTT, the former state telecom monopoly, was to fully acquire its mobile subsidiary NTT Docomo, creating a formidable competitor. To give an idea of the scale of the change in environment bear in mind that NTT Docomo was originally demerged from NTT to prevent it from exploiting its monopoly power. Given that the long-term outlook for SoftBank Corporation had become significantly less favourable we sold the shares. This illustrates an important point. When we invest it is not for a fixed time period. Rather it is contingent on our investment case remaining intact. In general, where a company is making good progress, we are happy to hold the shares for many years. However, exceptionally, where it becomes clear that there is a significant problem, we sell. In all cases we look forward to the future prospects of the business.

We continue to believe that there is significant opportunity to pursue a growth orientated stock-picking strategy in Japan. Going forward, short-term returns will inevitably be volatile but given the number of exciting growing businesses to invest in we remain optimistic about securing a good outcome for shareholders over the long term.

See Glossary of Terms and Alternative Performance Measures on pages 19 to 21.  
Total return information is sourced from Baillie Gifford/Refinitiv. See disclaimer on page 18.  
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# Historic Growth Sector Distribution and Recent Portfolio Activity

Portfolio Allocation %	28 February 2021	New buys	Complete sales
	<b>Secular Growth</b> 47.0%	GA Technologies	M3 Pan Pacific International Holdings
	<b>Growth Stalwarts</b> 8.9%		Mitsubishi UFJ Lease & Finance Co Ltd
	<b>Special Situations</b> 19.6%	MS&AD Insurance SoftBank Corporation	SoftBank Corporation
	<b>Cyclical Growth</b> 24.5%	Bridgestone Tsubaki Nakashima	

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# Equity Portfolio by Growth Category as at 28 February 2021

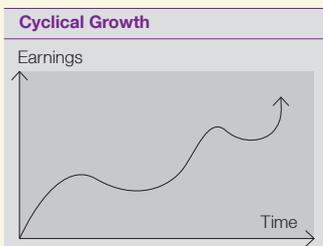
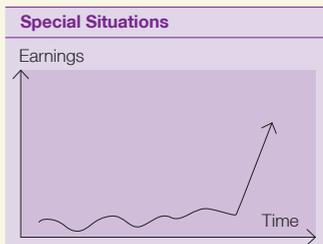
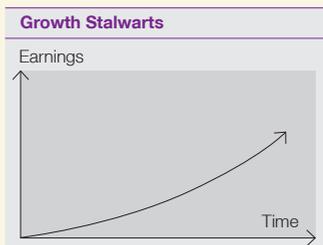
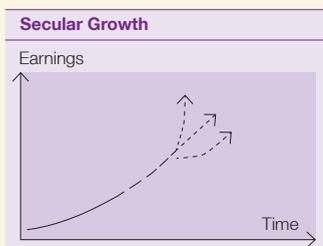
In line with our investment process, the portfolio is grouped into Growth Categories.

Secular Growth <sup>1</sup>	% of total investments
Rakuten	3.7
GMO Internet	3.3
SBI	3.1
Kubota	2.9
Sysmex	2.7
Nidec	2.4
Fanuc	2.4
CyberAgent	2.4
Misumi	2.2
MonotaRO	2.1
GA Technologies	1.8
Sato	1.6
Raksul	1.5
Recruit Holdings	1.2
Demae-Can	1.1
Toyota Tsusho	1.1
Infomart	1.0
Topcon	0.9
SMC	0.9
Digital Garage	0.8
Istyle	0.8
Bengo4.com	0.8
ZOZO	0.8
Mercari	0.7
Broadleaf	0.7
Keyence	0.7
Peptidream	0.6
Subaru	0.5
Shimano	0.5
Noritsu Koki	0.4
Lifull	0.4
Nippon Ceramic	0.3
Rizap	0.3
Cyberdyne	0.2
Healios K.K.	0.2
<b>Total</b>	<b>47.0</b>

Growth Stalwarts <sup>2</sup>	% of total investments
Calbee	2.1
Pola Orbis	1.6
Zenkoku Hoshu	1.2
Makita	0.9
Park24	0.7
Sugi	0.6
Asics	0.6
Fukuoka Financial	0.5
Secom	0.4
Sawai Pharmaceutical	0.3
<b>Total</b>	<b>8.9</b>

Special Situations <sup>3</sup>	% of total investments
SoftBank	6.2
Sony	2.7
Mixi	2.6
MS&AD Insurance	1.9
Colopl	1.7
Inpex	1.6
Tokyo Tatemono	1.2
JAFCO	1.0
Gree	0.7
<b>Total</b>	<b>19.6</b>

Cyclical Growth <sup>4</sup>	% of total investments
Sumitomo Metal Mining	2.7
Denso	2.4
Sumitomo Mitsui Trust	2.4
Itochu	2.4
Outsourcing	2.2
Bridgestone	2.1
Mazda Motor	1.9
Murata	1.7
Nifco	1.5
Mitsubishi Electric	1.4
DMG Mori	1.3
Iida	1.0
Rohm	0.9
Tsubaki Nakashima	0.6
<b>Total</b>	<b>24.5</b>



<sup>1</sup> Secular Growth: Opportunity to grow rapidly but where there are a number of potential outcomes.

<sup>2</sup> Growth Stalwarts: Growth is less rapid but more predictable.

<sup>3</sup> Special Situations: Performance has not been good but there is a reason to believe improvements are underway.

<sup>4</sup> Cyclical Growth: Earnings do not rise every year but are expected to be higher from one cycle to the next.

## Twenty Largest Holdings at 28 February 2021

Name	Business	Value £'000	% of total investments
SoftBank	Telecom operator and technology investor	63,281	6.2
Rakuten	Internet retail and financial services	37,942	3.7
GMO Internet	Internet conglomerate	34,054	3.3
SBI	Online financial services	32,024	3.1
Kubota	Agricultural machinery	29,065	2.9
Sony	Consumer electronics, films and finance	27,503	2.7
Sysmex	Medical testing equipment	27,223	2.7
Sumitomo Metal Mining	Smelting and copper, nickel and gold mining	27,092	2.7
Mixi	Mobile gaming	26,299	2.6
Nidec	Specialist motors	24,906	2.4
Denso	Auto parts	24,891	2.4
Fanuc	Robotics manufacturer	24,810	2.4
Sumitomo Mitsui Trust	Japanese trust bank and investment manager	24,056	2.4
CyberAgent	Japanese internet advertising and content	23,947	2.4
Itochu	General trading firm	23,927	2.4
Outsourcing	Employment placement services	22,819	2.2
Misumi	Online distributor of precision machinery parts	22,079	2.2
Calbee	Branded snack foods	21,736	2.1
Bridgestone	Tyre manufacturing	21,711	2.1
MonotaRO	Online business supplies	21,242	2.1
<b>Total</b>		<b>560,607</b>	<b>55.0</b>

## Income Statement (unaudited)

	For the six months ended 28 February 2021			For the six months ended 29 February 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on sales of investments	–	27,969	<b>27,969</b>	–	60,723	<b>60,723</b>
Movement in investment holding gains	–	120,497	<b>120,497</b>	–	(124,801)	<b>(124,801)</b>
Currency gains	–	4,945	<b>4,945</b>	–	6,637	<b>6,637</b>
Income from investments and interest receivable	8,025	–	<b>8,025</b>	7,511	–	<b>7,511</b>
Investment management fee	(2,696)	–	<b>(2,696)</b>	(2,128)	–	<b>(2,128)</b>
Other administrative expenses	(319)	–	<b>(319)</b>	(296)	–	<b>(296)</b>
<b>Net return before finance costs and taxation</b>	5,010	153,411	<b>158,421</b>	5,087	(57,441)	<b>(52,354)</b>
Finance costs of borrowings	(1,083)	–	<b>(1,083)</b>	(1,252)	–	<b>(1,252)</b>
<b>Net return before taxation</b>	3,927	153,411	<b>157,338</b>	3,835	(57,441)	<b>(53,606)</b>
Tax	(802)	–	<b>(802)</b>	(750)	–	<b>(750)</b>
<b>Net return after taxation</b>	3,125	<b>153,411</b>	<b>156,536</b>	<b>3,085</b>	<b>(57,441)</b>	<b>(54,356)</b>
<b>Net return per ordinary share</b> (note 5)	<b>3.40p</b>	<b>166.88p</b>	<b>170.28p</b>	<b>3.34p</b>	<b>(62.15p)</b>	<b>(58.81p)</b>

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.

The accompanying notes on pages 13 to 15 are an integral part of the Financial Statements.

## Balance Sheet (unaudited)

	At 28 February 2021 £'000	At 31 August 2020 £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss (note 6)	1,017,855	805,347
<b>Current assets</b>		
Debtors	1,934	1,322
Cash and cash equivalents	60,745	118,742
	62,679	120,064
<b>Creditors</b>		
Amounts falling due within one year	(3,661)	(1,602)
<b>Net current assets</b>	59,018	118,462
<b>Total assets less current liabilities</b>	1,076,873	923,809
<b>Creditors</b>		
Amounts falling due after more than one year:		
Bank loans (note 7)	(143,163)	(151,420)
<b>Net assets</b>	<b>933,710</b>	<b>772,389</b>
<b>Capital and reserves</b>		
Share capital	4,633	4,621
Share premium	196,417	190,939
Capital redemption reserve	203	203
Capital reserve	725,899	569,059
Revenue reserve	6,558	7,567
<b>Shareholders' funds</b>	<b>933,710</b>	<b>772,389</b>
<b>Net asset value per ordinary share*</b>	<b>1,007.5p</b>	<b>840.8p</b>
<b>Ordinary shares in issue</b> (note 8)	<b>92,673,209</b>	<b>91,858,209<sup>†</sup></b>

\* See Glossary of Terms and Alternative Performance Measures on pages 19 to 21.

† Excluding shares held in treasury at 31 August 2020. No shares were held in treasury at 28 February 2021.

The accompanying notes on pages 13 to 15 are an integral part of the Financial Statements.

## Statement of Changes in Equity (unaudited)

### For the six months ended 28 February 2021

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 September 2020	4,621	190,939	203	569,059	7,567	<b>772,389</b>
Shares issued	12	5,478	–	3,429	–	<b>8,919</b>
Net return after taxation	–	–	–	153,411	3,125	<b>156,536</b>
Dividends paid during the period (note 4)	–	–	–	–	(4,134)	<b>(4,134)</b>
<b>Shareholders' funds at 28 February 2021</b>	<b>4,633</b>	<b>196,417</b>	<b>203</b>	<b>725,899</b>	<b>6,558</b>	<b>933,710</b>

### For the six months ended 29 February 2020

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 September 2019	4,621	190,939	203	531,587	4,755	<b>732,105</b>
Shares bought back into treasury	–	–	–	(1,236)	–	<b>(1,236)</b>
Net return after taxation	–	–	–	(57,441)	3,085	<b>(54,356)</b>
Dividends paid during the period (note 4)	–	–	–	–	(3,235)	<b>(3,235)</b>
<b>Shareholders' funds at 29 February 2020</b>	<b>4,621</b>	<b>190,939</b>	<b>203</b>	<b>472,910</b>	<b>4,605</b>	<b>673,278</b>

\* The Capital Reserve balance at 28 February 2021 includes investment holding gains on investments of £344,842,000 (29 February 2020 – gains of £179,435,000).

The accompanying notes on pages 13 to 15 are an integral part of the Financial Statements.

## Condensed Cash Flow Statement (unaudited)

	Six months to 28 February 2021 £'000	Six months to 29 February 2020 £'000
<b>Cash flows from operating activities</b>		
Net return on ordinary activities before taxation	157,338	(53,606)
Net (gains)/losses on investments	(148,466)	64,078
Currency gains	(4,945)	(6,637)
Finance costs of borrowings	1,083	1,252
Overseas withholding tax	(729)	(684)
Changes in debtors and creditors	(562)	(838)
<b>Cash from operations</b>	3,719	3,565
Interest paid	(1,096)	(1,282)
<b>Net cash inflow from operating activities</b>	2,623	2,283
<b>Cash flows from investing activities</b>		
Acquisitions of investments	(139,300)	(71,241)
Disposals of investments	77,207	93,338
Exchange differences	636	(534)
<b>Net cash inflow/(outflow) from investing activities</b>	(61,457)	21,563
Shares issued (note 8)	8,919	–
Equity dividends paid (note 4)	(4,134)	(3,235)
<b>Net cash (outflow)/inflow from financing activities</b>	4,785	(3,235)
<b>Increase in cash and cash equivalents</b>	(54,049)	20,611
Exchange movements	(3,948)	(710)
Cash and cash equivalents at start of period*	118,742	40,303
<b>Cash and cash equivalents at end of period*</b>	<b>60,745</b>	<b>60,204</b>

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

The accompanying notes on pages 13 to 15 are an integral part of the Financial Statements.

# Notes to the Condensed Financial Statements (unaudited)

## 1 Basis of Accounting

The condensed Financial Statements for the six months to 28 February 2021 comprise the statements set out on the previous pages together with the related notes on pages 13 to 15. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in October 2019. They 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 28 February 2021 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 August 2020.

### Going Concern

Having considered 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, together with the Company's dividend policy, it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The Board has, in particular, considered the heightened market volatility since the coronavirus (Covid-19) outbreak but does not believe the Company's going concern status is affected. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. In accordance with the Company's Articles of Association, shareholders have the right to vote annually at the Annual General Meeting on whether to continue the Company. The next continuation vote will be in December 2021. The Directors have no reason to believe that the continuation resolution will not be passed at the Annual General Meeting. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. Accordingly, the Directors consider 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 to do so over a period of at least twelve months from the date of approval of these Financial Statements.

## 2 Financial Information

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 August 2020 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying its report and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

## 3 Investment Manager

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager and Company Secretary. The investment management function has been delegated to Baillie Gifford & Co. The management agreement can be terminated on not less than 6 months' notice, or on shorter notice in certain circumstances. The annual management fee is 0.75% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets, calculated and payable quarterly.

## Notes to the Condensed Financial Statements (unaudited) (continued)

### 4 Dividends

	Six months to 28 February 2021 £'000	Six months to 29 February 2020 £'000
Amounts recognised as distribution in the period:		
Previous year's final dividend of 4.50p paid 11 December 2020 (2020 – 3.50p paid on 13 December 2019)	<b>4,134</b>	<b>3,235</b>

No interim dividend has been declared.

### 5 Net Return per Ordinary Share

	Six months to 28 February 2021 £'000	Six months to 29 February 2020 £'000
Revenue return after taxation	3,125	3,085
Capital return after taxation	153,411	(57,441)
<b>Total net return</b>	<b>156,536</b>	<b>(54,356)</b>
<b>Weighted average number of ordinary shares in issue</b>	<b>91,929,766</b>	<b>92,423,903</b>

Net return per ordinary share is based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue during each period. There are no dilutive or potentially dilutive shares in issue.

### 6 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 fair value of listed investments is the last traded price which is equivalent to the bid price on Japanese markets.

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

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

## Notes to the Condensed Financial Statements (unaudited) (continued)

### 7 Bank Loans

Bank loans of £143.2 million (¥16.5 billion) have been drawn down under yen loan facilities which are repayable between August 2023 and November 2024 (31 August 2020 – £151.4 million (¥16.5 billion)).

### 8 Share Capital

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, 815,000 shares (of which 566,716 came from treasury) were issued at a premium to net asset value raising net proceeds of £8,919,000 (29 February 2020 – no shares were issued). There were no shares held in treasury at 28 February 2021.

During the period to 28 February 2021, no ordinary shares were bought back into treasury (2020 – 185,000 ordinary shares were bought back into treasury at a cost of £1,236,000). As at 28 February 2021 the Company has authority remaining to buy back 13,769,545 ordinary shares.

### 9 Transaction Costs

Transaction costs incurred on the purchase and sale of the investments are added to the purchase cost or deducted from the sales proceeds, as appropriate. During the period, transaction costs on purchases amounted to £40,000 (29 February 2020 – £33,000) and transaction costs on sales amounted to £40,000 (29 February 2020 – £39,000).

### 10 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

### How to Invest

Baillie Gifford Japan Trust'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. If you are interested in investing directly in Baillie Gifford Japan Trust PLC you can do so online. There are a number of companies offering real time online dealing services – find out more by visiting [japantrustplc.co.uk](http://japantrustplc.co.uk).

### Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone (your call may be recorded for training or monitoring purposes), e-mail or post. See contact details in the 'Further Information' box on the back cover.

### Automatic Exchange of Information

In order to fulfil its obligations under UK tax legislation relating to the automatic exchange of information, The Baillie Gifford Japan Trust 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, The Baillie Gifford Japan Trust PLC must provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

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

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders [gov.uk/government/publications/exchange-of-information-account-holders](http://gov.uk/government/publications/exchange-of-information-account-holders).

### Risk Warnings

Past performance is not a guide to future performance.

Baillie Gifford Japan 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.

As Baillie Gifford Japan 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 Japan has borrowed money to make further investments (sometimes known as 'gearing' or '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 borrowings will increase the amount of this loss.

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

Investment in smaller companies is 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 Japan invests in Japan and exposure to a single market and currency may increase risk.

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

## Further Shareholder Information (continued)

The aim of the Trust is to achieve capital growth. You should not expect a significant, or steady, annual income from the Trust.

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

Shareholders in Baillie Gifford Japan have the right to vote at the Annual General Meeting on whether to continue the Company, or wind it up. If the shareholders decide to wind the Company up, the assets will be sold and you will receive a cash sum in relation to your shareholding.

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.

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

The staff of Baillie Gifford & Co may hold shares in Baillie Gifford Japan Trust and may buy or sell such shares from time to time.

Further details of the risks associated with investing in the Company, including a Key Information Document and how charges are applied, can be found at [japantrustplc.co.uk](http://japantrustplc.co.uk) or by calling Baillie Gifford on 0800 917 2112.

The information and opinions expressed in this document 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.

## Third Party Data Provider Disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom.

No Provider has any obligation to update, modify or amend the data or to otherwise notify a recipient thereof in the event that any matter stated herein changes or subsequently becomes inaccurate.

Without limiting the foregoing, no Provider shall have any liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgements, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

## Benchmark

The Benchmark for the Company where stated in the Interim Financial Report is the TOPIX total return (in sterling terms).

# 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 Par Value) (APM)

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

## 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 Japanese government bonds of comparable yield and maturity. A reconciliation from Net Asset Value (with borrowings at par value) to Net Asset Value per ordinary share (with borrowings at fair value) is provided below.

	28 February 2021	31 August 2020
Net Asset Value per ordinary share (borrowings at par value)	1,007.5p	840.8p
Shareholders' funds (borrowings at par value)	£933,710,000	£772,389,000
Add: par value of borrowings	£143,163,000	£151,420,000
Less: fair value of borrowings	(£144,341,000)	(£152,387,000)
<b>Shareholders' funds (borrowings at fair value)</b>	<b>£932,532,000</b>	<b>£771,422,000</b>
Shares in issue at year end	92,673,209	91,858,209
<b>Net Asset Value per ordinary share (borrowings at fair value)</b>	<b>1,006.3p</b>	<b>839.8p</b>

## Net Current Assets

Net current assets comprise current assets less current liabilities, excluding long-term borrowings.

## Premium/(Discount) (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.

		28 February 2021	31 August 2020
Net Asset Value per ordinary share (borrowings at fair value)	(a)	1,006.3p	839.8p
Share price	(b)	1,060.0p	817.0p
<b>Premium/(discount)</b>	(b - a) ÷ a expressed as a percentage	<b>5.3%</b>	<b>(2.7%)</b>

## Glossary of Terms and Alternative Performance Measures (APM) (continued)

### 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.

		Feb 2021 NAV (fair)	Feb 2021 NAV (par)	Feb 2021 Share Price	Feb 2020 NAV (fair)	Feb 2020 NAV (par)	Feb 2020 Share Price
Closing NAV per share/share price	(a)	1,006.3p	1,007.5p	1,060.0p	728.1p	729.9p	675.0p
Dividend adjustment factor*	(b)	1.0046	1.0046	1.0046	1.0043	1.0042	1.0044
Adjusted closing NAV per share/ share price	(c) = (a) x (b)	1,010.9p	1,012.1p	1,064.9p	731.2p	733.0p	677.9p
Opening NAV per share/ share price	(d)	839.8p	840.8p	817.0p	789.3p	792.1p	791.0p
<b>Total return</b>	$((c \div d) - 1) \times 100\%$	<b>20.4%</b>	<b>20.4%</b>	<b>30.3%</b>	<b>(7.4%)</b>	<b>(7.5%)</b>	<b>(14.3%)</b>

\* The dividend adjustment factor is calculated on the assumption that the dividend of 4.50p (2020 – 3.50p) paid by the Company in the period under review was invested into shares of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

### 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 is the Company's borrowings at par less cash and cash equivalents expressed as a percentage of shareholders' funds.

Potential gearing is the Company's borrowings expressed at par 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.

## **Glossary of Terms and Alternative Performance Measures (APM) (continued)**

### **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.

### **Covid-19**

The impact of Covid-19 is unprecedented. The Board of The Baillie Gifford Japan Trust PLC and the Investment Manager are actively working together to monitor the effect on the Company and its investee companies. The Investment Manager has measures in place to safeguard the health of its employees whilst remaining fully operational and providing business continuity to its clients. In particular, the Board and Investment Manager are monitoring closely the following:

- the valuation and liquidity of Baillie Gifford Japan portfolio companies;
- the debt covenants in place for the Company's borrowings;
- the operational arrangements in place at Baillie Gifford & Co; and
- the ability of Baillie Gifford Japan's third-party service providers to continue to provide contracted services.

The Investment Manager and third-party service providers remain fully operational and business continuity plans are working as expected.

## Directors

J Keith R Falconer (Chairman)

Sharon Brown  
David P Kidd  
Martin H Paling  
Joanna B Pitman

## Alternative Investment Fund Managers, Secretaries and Registered Office

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## Company Details

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Company Registration  
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Sedol 0048583  
Ticker BGFJ  
Legal Entity Identifier:  
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