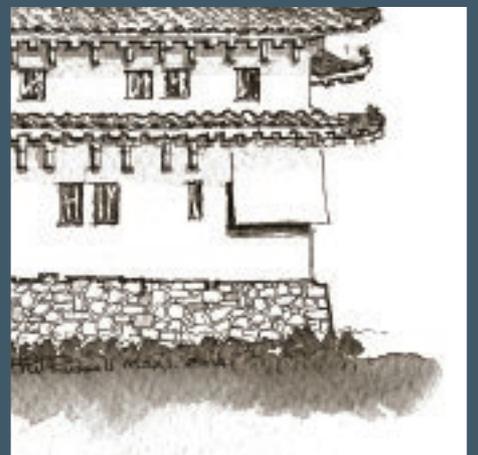
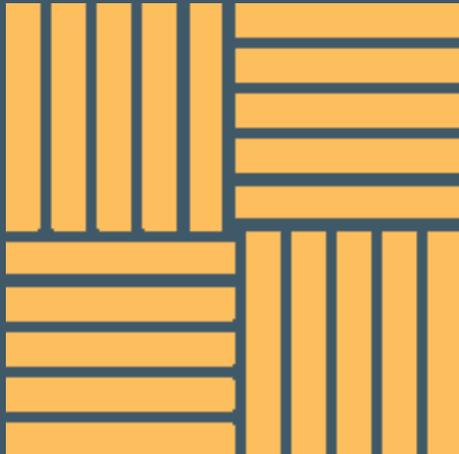
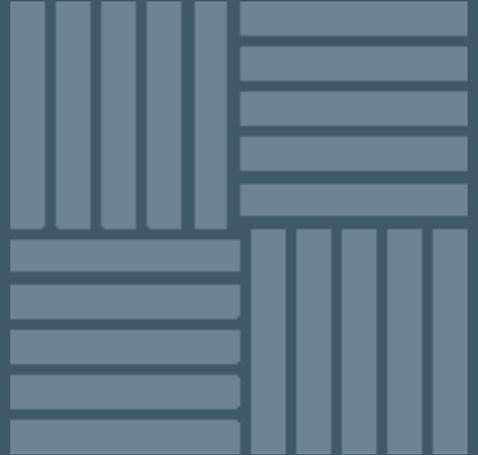


THE BAILLIE GIFFORD JAPAN TRUST PLC



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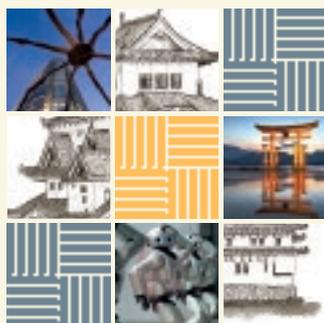
None of the views expressed in this document should be construed as advice to buy or sell a particular investment. Investment trusts are UK public listed companies and as such comply with the requirements of the UK Listing Authority. They are not authorised or regulated by the Financial Conduct Authority.

The Baillie Gifford Japan Trust PLC currently conducts its affairs, and intends to continue to conduct its affairs, so that the Company's Ordinary Shares can qualify to be considered as a mainstream investment product and can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority (FCA) in relation to non-mainstream investment products.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your ordinary shares in The Baillie Gifford Japan Trust PLC, please forward this document, together with any accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.



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.

Financial Highlights – Year to 31 August 2015

Share Price 26.3%

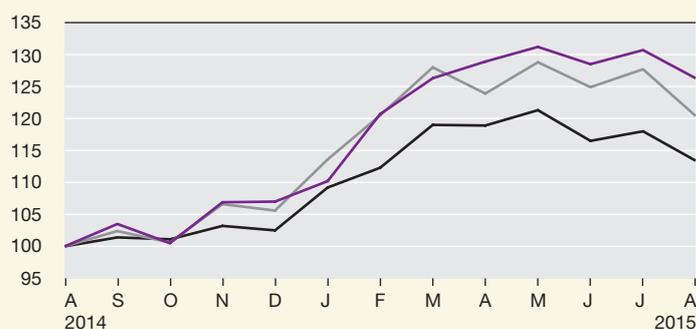
NAV 20.4%

Benchmark* 13.4%

Share Price, NAV and Benchmark

(figures rebased to 100 at 31 August 2014)

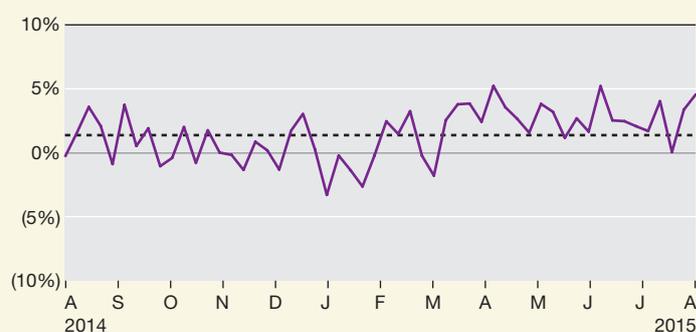
- Share price
- NAV (after deducting borrowings at fair value)
- Benchmark*



Premium/(Discount) to Net Asset Value

(figures plotted on a weekly basis)

- Premium/(Discount) (after deducting borrowings at fair value)
- Average premium (after deducting borrowings at fair value)



* The benchmark is the TOPIX total return (in sterling terms).

Source: Thomson Reuters Datastream/Baillie Gifford.

Past performance is not a guide to future performance.

Investor Disclosure Document

The EU Alternative Investment Fund Managers Directive requires certain information to be made available to investors prior to their investment in the Company. The Company's Investor Disclosure Document is available for viewing at www.japantrustplc.co.uk.

Strategic Report

The Strategic Report, which includes pages 2 to 17 and incorporates the Chairman's Statement has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

It has been a good year for Japanese investments and another good year for your Company with the net asset value (after deducting borrowings at fair value) rising by 20.4%, compared to a 13.4% rise in the benchmark TOPIX index total return (in sterling terms). The share price increased by 26.3% and the Company's shares are sitting at a premium to NAV (after deducting borrowings at fair value) of 4.6%, having traded at a premium for most of the year unlike the rest of our sector. This builds on an excellent five and ten year record for the Japan Trust.

As with last year, both stock selection and gearing contributed positively to the returns; further performance details are to be found in the Managers' Report.

Investment income increased 15% over the year, reflecting higher dividends, while expenses also increased due mainly to higher management fees in line with the substantial increase in net asset value.

Overall revenue gain per share was 0.28p (down from 0.47p last year) and, as in prior years, no dividend will be paid as the revenue reserve remains in deficit. Ongoing charges for the year were 0.9%, the same as in 2014.

Gearing

Gearing amounted to 15% of shareholders' funds at the start of the year and ended the year at 14%. The Company entered into two new revolving loan facilities with Scotiabank Europe plc, details of which can be found on page 6. Gross borrowings increased to ¥10.2bn from ¥7.2bn and with the low cost of yen loans we continue to believe that borrowing to invest in Japanese equities is a sensible strategy.

Share Capital

The Company did not exercise its share buy back powers during the year; however, your Board believes that it is important that the Company retains this power and so, at the Annual General Meeting, it is seeking to renew this facility. The Company also has authority to issue new shares and to reissue any shares held in treasury for cash on a non-pre-emptive basis. Shares are only issued/reissued at a premium to net asset value, thereby enhancing net asset value per share for existing shareholders.

During the year to 31 August 2015 5,790,000 shares were issued at a premium to net asset value raising proceeds of £26,469,000, continuing the trend of recent years. The Directors are, once again, seeking 10% share issuance authority at the Annual General Meeting and we will continue to issue shares only when at a premium to net asset value. This authority will expire at the conclusion of the Annual General Meeting in November 2016.

Continuance Vote

Our shareholders have the right to vote annually on whether the Company should continue in business, and will again have the opportunity to do so at the Annual General Meeting to be held on 30 November 2015.

Last year the Company received support for its continuance from 99.9% of those voting. Your Directors are of the opinion that there remain attractive opportunities in selected, well-run Japanese companies.

Given the long-term favourable outlook, my fellow Directors and I intend where possible to vote our own shareholdings in favour of the resolution and hope that all shareholders will feel disposed to do likewise.

Board

Your Board is committed to high standards of corporate governance. In particular it recognises the need to have a balance of skills, experience and length of service. It also believes that membership of the Board should be refreshed over time and to that end, after 14 years of excellent service, Martin Barrow is standing down at the AGM. The process to identify a new Director with the requisite skills has commenced using an external agency and we expect to make an appointment before the end of 2015.

Outlook

The year to 2015 saw renewed strength in Japanese equities and our Managers are continuing to find extremely interesting companies in which to invest, with their bottom up approach of stock selection adding significant value to the portfolio. The Board visited Japan in May this year, meeting with a variety of companies of interest to the Managers and we returned with a more positive outlook on the investment opportunities within Japan as a whole.

Prime Minister Abe strengthened his mandate for political and economic reforms by calling and winning a snap election last December.

We also saw much evidence of the encouraging improvements in corporate governance across Japan which the Manager continues to press for with all our holdings.

There has been significant volatility across world markets since our August year end with Japan no exception; however, we continue to believe there are significant opportunities for investment growth amongst the companies in our portfolio and that the Managers' approach of investing for medium to long term growth can capitalise on these opportunities going forward.



Nick AC Bannerman
16 October 2015

Past performance is not a guide to future performance.

One Year Summary

	31 August 2015	31 August 2014	% change
Total assets (before deduction of bank loans)	£377.9m	£290.4m	
Bank loans	£54.7m	£41.7m	
Shareholders' funds	£323.2m	£248.7m	
Net asset value per share (after deducting borrowings at fair value)	425.4p	353.3p	20.4
Net asset value per share (after deducting borrowings at par value)	430.2p	358.7p	19.9
Share price	444.8p	352.3p	26.3
TOPIX total return (in sterling terms)			13.4
Yen/sterling exchange rate	186.4	172.5	(7.5)
Revenue earnings per ordinary share	0.28p	0.47p	
Ongoing charges	0.90%	0.90%	
Premium/(discount) (after deducting borrowings at fair value)	4.6%	(0.3%)	
Premium/(discount) (after deducting borrowings at par value)	3.4%	(1.8%)	
Active share*	87%	87%	

Year to 31 August	2015	2015	2014	2014
Year's high and low	High	Low	High	Low
Net asset value per share (after deducting borrowings at fair value)	476.3p	320.9p	368.4p	309.3p
Net asset value per share (after deducting borrowings at par value)	481.3p	326.2p	369.0p	311.9p
Share price	490.0p	316.5p	389.0p	315.3p
Premium/(discount) (after deducting borrowings at fair value)	9.4%	(6.8%)	8.2%	(2.2%)
Premium/(discount) (after deducting borrowings at par value)	8.2%	(8.3%)	7.9%	(3.3%)

	31 August 2015	31 August 2014
Net return per ordinary share		
Revenue	0.28p	0.47p
Capital	67.17p	33.45p
Total	67.45p	33.92p

* See Glossary on page 54.

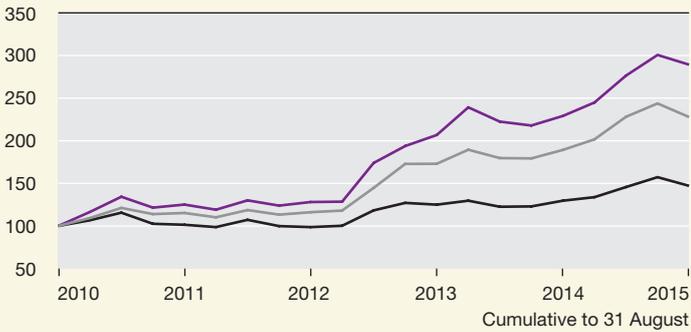
Past performance is not a guide to future performance.

Five Year Summary

The following charts indicate how an investment in Baillie Gifford Japan has performed relative to its benchmark and its underlying net asset value over the five year period to 31 August 2015.

5 Year Performance

(figures rebased to 100 at 31 August 2010)

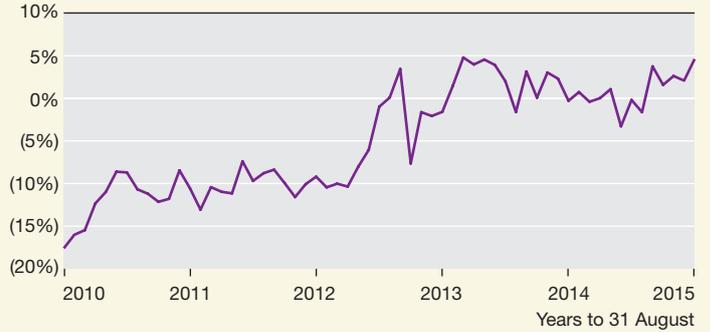


Source: Thomson Reuters Datastream/Baillie Gifford.

— Share price
— NAV (at fair)
— Benchmark*

Premium/(Discount) to Net Asset Value

(figures plotted on a monthly basis)

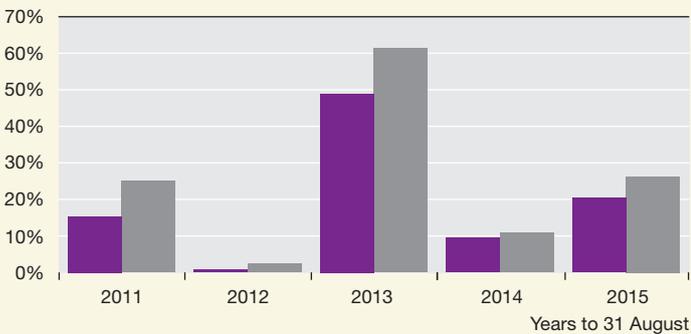


Source: Thomson Reuters Datastream/Baillie Gifford.

— Baillie Gifford Japan premium/(discount)

The premium/(discount) is the difference between Baillie Gifford Japan's quoted share price and its underlying net asset value (at fair).

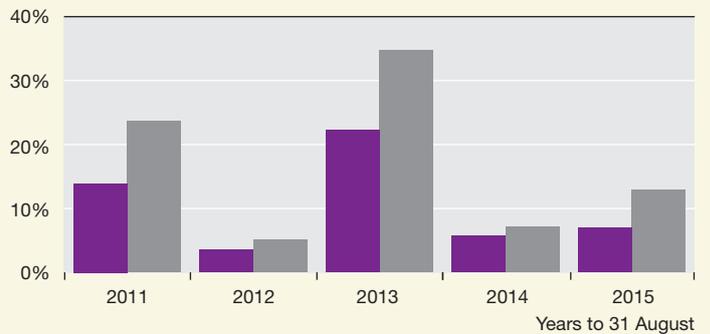
Annual Change in Net Asset Value and Share Price



Source: Thomson Reuters Datastream/Baillie Gifford.

■ NAV return (at fair)
■ Share price return

Annual Change in Net Asset Value and Share Price relative to the Benchmark* (in sterling terms)



Source: Thomson Reuters Datastream/Baillie Gifford.

■ NAV return (at fair)
■ Share price return

* The benchmark is the TOPIX total return (in sterling terms).

Past performance is not a guide to future performance.

Ten Year Record

Capital

At 31 August	Total assets £'000	Bank loans £'000	Shareholders' funds £'000	Net asset value per share at par* p	Share price p	Premium/ (discount) † %
2005	148,613	25,515	123,098	198.8	194.8	(2.0)
2006	175,022	27,343	147,679	238.4	234.3	(1.7)
2007	163,115	26,945	136,170	219.9	207.8	(5.5)
2008	138,168	26,775	111,393	179.9	160.0	(11.1)
2009	138,775	23,481	115,294	186.2	153.3	(17.7)
2010	143,641	27,508	116,133	187.5	153.8	(18.0)
2011	162,218	28,511	133,707	215.9	192.4	(10.9)
2012	163,131	28,544	134,587	217.3	197.0	(9.3)
2013	245,954	35,579	210,375	323.5	317.9	(1.7)
2014	290,447	41,733	248,714	358.7	352.3	(1.8)
2015	377,879	54,726	323,153	430.2	444.8	3.4

* Net asset value per ordinary share has been calculated after deducting borrowings at par value.

† Premium/(discount) is the difference between Baillie Gifford Japan's quoted share price and its underlying net asset value (at par) expressed as a percentage of net asset value.

Revenue

Year to 31 August	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary share p	Ongoing charges # %
2005	1,398	(356)	(0.58)	1.23
2006	1,728	(593)	(0.96)	1.20
2007	1,844	(326)	(0.52)	1.16
2008	2,195	246	0.40	1.17
2009	2,422	532	0.86	1.09
2010	2,605	447	0.72	1.23
2011	2,664	238	0.38	1.27
2012	3,251	777	1.25	1.20
2013	3,177	141	0.22	1.13
2014	3,746	322	0.47	0.90
2015	4,316	199	0.28	0.90

Gearing Ratios

Actual gearing ‡ %	Potential gearing ¶ %
20	21
15	19
18	20
15	24
15	20
18	24
18	21
19	21
16	17
15	17
14	17

Total operating costs divided by average net asset value (with debt at fair value). The 2008 figure excludes the impact of VAT on management fees recovered.

‡ Total assets (including all debt used for investment purposes) less all cash and cash equivalents divided by shareholders' funds.

¶ Total assets (including all debt used for investment purposes) divided by shareholders' funds.

Cumulative Performance (taking 2005 as 100)

At 31 August	Net asset value per share (at par)	Share price	Benchmark §
2005	100	100	100
2006	120	120	115
2007	111	107	108
2008	91	82	100
2009	94	79	100
2010	94	79	100
2011	109	99	101
2012	109	101	99
2013	163	163	125
2014	180	181	129
2015	216	228	147

Compound annual returns

5 year	18.1%	23.7%	8.0%
10 year	8.0%	8.6%	3.9%

§ On 1 September 2009, the Company changed its benchmark to TOPIX total return from TOPIX capital return. For the purposes of the above table the returns on the benchmarks for their respective periods have been linked to form a single benchmark.

Past performance is not a guide to future performance.

Business Review

Business Model

Business and Status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital, although, subject to shareholder approval sought annually, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand. The Company has obtained approval as an investment trust from HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010.

The Company is an Alternative Investment Fund (AIF) for the purposes of the EU Alternative Investment Fund Managers Directive.

Objective and Policy

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

The Company's holdings are generally listed in Japan although the portfolio can also include companies listed elsewhere whose business is predominantly in Japan as well as unlisted companies. From time to time, fixed interest holdings, or non equity investments, may be held.

The portfolio is constructed through the identification of individual companies which offer long term growth potential, typically over a three to five year horizon. The portfolio is actively managed and does not seek to track the benchmark; hence a degree of volatility against the index is inevitable.

In constructing the equity portfolio a spread of risk is achieved by diversifying the portfolio through investment in 40 to 70 holdings. Although sector concentration and the thematic characteristics of the portfolio are carefully monitored, there are no maximum limits to deviation from benchmark stock or sector weights except as imposed by banking covenants on borrowings.

On acquisition, no holding shall exceed 5% of the portfolio at the time of purchase and any holding that as a result of good performance exceeds 5% of the portfolio is subject to particular scrutiny. A holding greater than 5% will only be held where the Managers continue to be convinced of the merits of the investment case.

On acquisition, no more than 15% of the Company's gross assets will be invested in other UK listed investment companies.

The Company may use derivatives which will be principally, but not exclusively, for the purpose of efficient portfolio management (i.e. for the purpose of reducing, transferring or eliminating investment risk in its investments, including protection against currency risks).

The Company recognises the long term advantages of gearing and has a maximum equity gearing level of 30% of shareholders' funds.

Borrowings are invested in securities when it is considered that investment grounds merit the Company taking a geared position. Gearing levels, and the extent of equity gearing, are discussed by the Board and Managers at every Board meeting.

A detailed analysis of the Company's Investment Portfolio is set out on pages 16 and 17 and in the Managers' Report and Review of Investments.

Performance

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives.

Key Performance Indicators

The key performance indicators (KPIs) used to measure the progress and performance of the Company over time are established industry measures and are as follows:

- the movement in net asset value per ordinary share compared to the benchmark;
- the movement in the share price;
- the discount/premium of the share price to the net asset value per share; and
- the ongoing charges.

The one, five and ten year records for the KPIs can be found on pages 3 to 5.

In addition to the above, the Board considers peer group comparative performance.

Borrowings

Total borrowings at 31 August 2015 were ¥10.2 billion and are detailed on page 41. During the year, the Company entered into two revolving loan facilities with Scotiabank Europe plc. At 31 August 2015, the ¥1.5 billion three year facility maturing in November 2017 was fully drawn down. The ¥3 billion five year facility maturing in August 2020 had ¥1.5 billion drawn down.

Currency Hedging

It is extremely difficult to predict currency movements and currencies can appear cheap or dear for long periods of time. The Board remains of the view that it will not engage in currency hedging.

Principal Risks

As explained on page 23 there is an ongoing process for identifying, evaluating and managing the risks faced by the Company. The principal risks associated with the Company are as follows:

Financial Risk – The Company's assets consist of listed securities and its principal risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 19 to the financial statements on pages 43 to 46.

Regulatory Risk – failure to comply with applicable legal and regulatory requirements such as the tax rules for investment companies, the UKLA Listing Rules and the Companies Act could lead to suspension of the Company's Stock Exchange Listing, financial penalties or a qualified audit report or the Company being subject to tax on capital gains.

Baillie Gifford's Business Risk, Internal Audit and Compliance Departments provide regular reports to the Audit Committee on Baillie Gifford's monitoring programmes.

Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation is made to ensure that the special circumstances of investment trusts are recognised.

Operational Risk – failure of Baillie Gifford's accounting systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. Baillie Gifford have a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption or major disaster. The Board reviews Baillie Gifford's Report on Internal Controls and the reports by other key service providers are reviewed by the Managers on behalf of the Board.

Discount/Premium Volatility – the discount/premium at which the Company's shares trade can change. The Board monitors the level of discount/premium and the Company has authority to buy back or issue its own shares when deemed to be in the best interest of all shareholders.

Leverage Risk – the Company may borrow money for investment purposes. If the investments fall in value, any invested borrowings will magnify the extent of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. All borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. All of the Company's investments are in listed securities that are readily realisable. Further information on leverage can be found on page 54.

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, these requirements do not apply to the Company.

Gender Representation

The Board comprises five Directors, all of whom are male. The Company has no employees. The Board's policy on diversity is set out on page 23.

Environmental Social and Governance Policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 24.

Future Developments of the Company

The outlook for the Company for the next 12 months is set out in the Chairman's Statement on page 2 and the Managers' Report on page 9.

Managers' Report

Performance

Over the past year the NAV per share with borrowings deducted at fair value has increased by 20.4% compared to a rise of 13.4% in the Company's benchmark. The share price also moved from a discount at the end of last year to a premium and this helped the share price increase by 26.3% over the period. The ten year record shown on page 5 shows that this is the first time that there has been a premium at the year end. On average over the year the shares traded at a premium of just over 1%.

The Japanese stock market rose in the first half of the Company's year but has seen some volatility since the summer as various global concerns have hit markets. The Company has continued to use its gearing and over the year this has contributed to roughly half the outperformance, with the rest coming from stock selection. The yen weakened against sterling over the year by 7.5%, but trends are really driven by the yen/dollar rate translated into sterling. Overall Japan remains a competitive place for high quality manufacture and services and an attractive country for tourists.

The strongest returns within the portfolio came from the Commerce and Services sector which includes several of the internet related holdings, as well as companies involved in employment services. In total there were 13 stocks which contributed more than 0.5% to outperformance and five which subtracted at the same level. Notable amongst the winners were Cookpad, the recipe website which has continued to gather paying members, new recipes and is moving into advertising to its substantial subscriber base, Sysmex and Shimadzu, both manufacturers of medical equipment, and Don Quijote, the discount retailer benefiting from inbound tourism. Toyo Tire and Rubber continues to do well selling truck tyres in the USA whilst Temp Holdings and Outsourcing both were helped by the labour shortage in Japan and the increase in women in the workforce. Those that detracted from performance included Iriso Electronics, which did very well last year and has had some pricing issues, along with energy related holdings Modec and Inpex.

Portfolio

There have been relatively few changes within the portfolio in the past year as our growth orientated companies have continued to look appealing. Turnover fell to 7.5% over the year even after buying eight new holdings and selling six.

Three of the new purchases were new listings and the IPO market in Japan has been quite active, although the advent of sizeable companies is still rare. The largest new listing we invested in was Recruit, a large service sector company involved in recruitment as well as property marketing and advertising. We have admired their corporate culture for some time, as many key individuals in the internet sector in Japan have spent some of their careers at Recruit. The other two are much smaller companies and both illustrate interesting points about current developments in Japan. Nippon Ski Resort, a subsidiary of a parking company, was set up to buy underperforming ski operations and improve their facilities. This has been successful and there are many further opportunities to expand, particularly as foreign tourists ski more in Japan. SanBio, a research oriented bio tech company founded by Japanese scientists, moved its headquarters from California to Japan after legislation was passed in November 2014 as part of the Prime Minister's third Arrow to speed up the approval

processes for regenerative medicine. Although at an early stage its technology could represent a significant breakthrough in stroke treatment. There are comments on other new holdings on page 12.

We sold six companies including Kyocera, Nomura, Sanrio and Industrial & Infrastructure Fund. In the main these were sold because the prospects no longer looked appealing owing to a variety of reasons: intensified competition from the Frozen franchise in the case of Sanrio, to the unsuccessful move from feature phone to smart phones for Gree. None of these were a significant portion of the portfolio and funds were used to invest in the more promising opportunities.

Economy and Corporate Developments

Usually Japan is regarded as a pro-cyclical market with corporate profits driven by the health of the economy and the speed of growth. What has been interesting in the past year or so is the lack of correlation. The economy in Japan has not recorded strong growth since the rise in the consumption tax in April 2014. For the current fiscal year ending in March 2016 the consensus view is that the expansion is only going to be around 1.6% whilst profit growth is likely to be over 10% despite recent weakness. Corporate profitability in aggregate and margins are also at record levels. This is partly due to the ongoing internationalisation of corporate Japan, with more than half of profits now coming from overseas, and partly to the drivers of change within the economy, along with a greater focus on shareholder returns. There is also a thesis that as the importance of the digital economy is mis-described by economic statistics first compiled more than a century ago.

The Managers believe that there are three key forces driving changes in Japan at the moment. The first is the fundamental sea-change in corporate governance, encouraged by the advent of Abenomics but also by the demographic changes and the increase in international competition. Last year Japan introduced a new stewardship code encouraging institutional investors to constructively engage with the companies they invest in and this year a new Corporate Governance code was introduced in June. This encourages companies to change their boards and already the number of independent Directors has risen further and now 94% of companies have outsiders on the board. Companies also have to issue a statement about their attitude to issues like cross-shareholdings by the end of this year. This push is also coming at a time when the importance of some other stakeholder groups is lessening. We believe that there will be fundamental change over a five year period and that this will lead to lower cash holdings on balance sheets and increasing dividends along with investment for growth.

The retirement of the baby-boomer generation, with their corporate pensions and the increasing labour shortage, means that managements no longer have to run companies to maintain employment in Japan. The second development driving change is therefore the tightening labour shortage. Again related to the aims of the Abe government more women have been working in Japan but the unemployment rate is now extremely low and surveys show employment conditions extremely tight. There are suggestions that most new jobs in Japan in the past few years have been created by companies younger than five years, whilst the older companies are reducing employment. This is a very welcome rebalancing and one that has very positive implications

for productivity. It goes alongside the change in corporate governance and the rise in entrepreneurship in Japan. In 1992, after the bubble burst, the major cause of bankruptcy in Japan was a labour shortage for small companies artificially created by large corporations continuing to recruit whilst the economy turned down. Now the situation is different and the very strong confidence being reported by the non-manufacturing sector, which is the majority of employment in the economy. In terms of significant formal immigration that remains some years away, although the number of foreign residents of Japan continues to rise and there are many anecdotal reports of informal employment.

Thirdly, increased inbound tourism is arguably one of the most successful outcomes of the original aims of Abenomics. The easing of visa restrictions alongside the improvement in access provided by more low cost airlines flying into Japan, mainly from Asia have contributed to inbound tourism. For example, there is now a new terminal at Narita, Tokyo's main international airport, dedicated to such airlines offering cheaper landing fees as historically the punitive rates for the main airport have been a deterrent to travel. Last year the total number of foreign tourists reached 13.4m and the likely outcome for 2015 is now very likely to exceed 18m. Originally the target had been 20m in 2020, when Japan is hosting the summer Olympics in Tokyo, but this is likely to be comfortably exceeded. This new source of demand is helping certain retailers and manufacturers as well as increasing the occupancy rates of hotels, but it is also beginning to have social impacts. As travellers come on return trips they are travelling outside the main cities and many traditional Japanese attractions, from temples to ryokan, are adapting and becoming more welcoming. Made in Japan is viewed increasingly as a badge of quality, particularly by Chinese tourists.

Outlook

Whilst global stock markets have been experiencing turbulence in recent weeks we think that the long term positive changes for Japanese companies outlined already will be more important over the next year. This is not to deny that weakness in the Chinese economy will see demand fall for some products but rather that the longer term shifts in behaviour driven by the changes mentioned above will outweigh shorter term difficulties. This is also not to claim that all the many aims of Abenomics will be a success, but that there is enough forward progress to be encouraged. Prime Minister Abe was re-elected with a strong majority in December 2014, and having achieved his aims of changing the security laws in Japan is now refocused on improving the economy. There is much negative commentary on Japan's outstanding levels of debt and very little on the overall level of assets, which makes Japan the world's largest ever net creditor nation. In November Japan Post Holdings, Bank and Insurance will all be privatised which will move very significant businesses from the public to the private sector. Against this background and with the belief that valuations are not too high the Trust has increased its levels of gearing after the year end. There is a further tranche of borrowing to be invested as appropriate.

Baillie Gifford
16 October 2015

Review of Investments

Top Ten Holdings

SoftBank

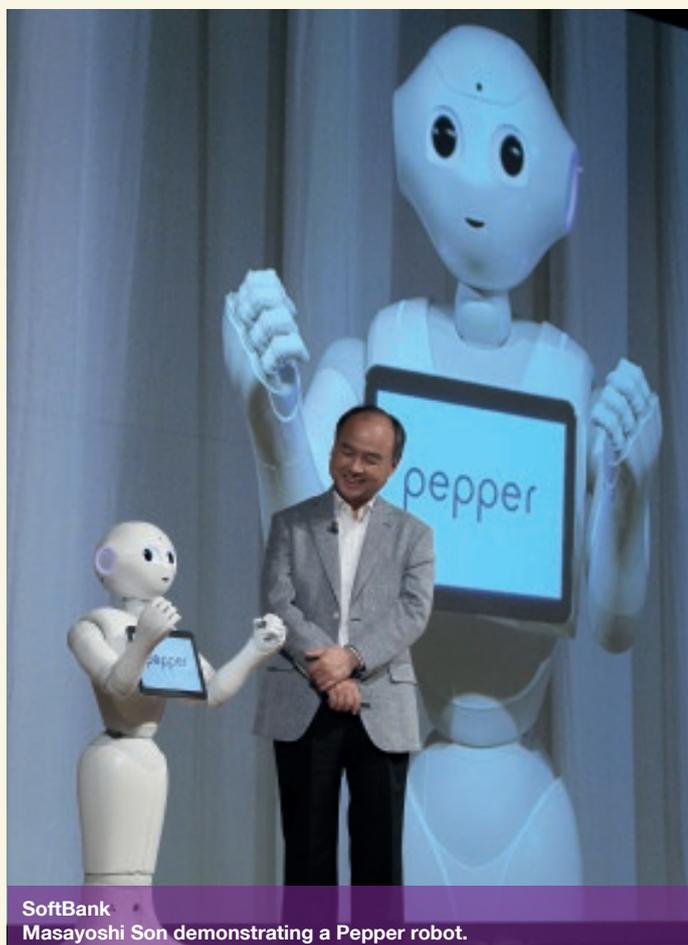
3.2% of total assets

SoftBank is a major Japanese telecom company with significant holdings in Alibaba, an internet retailer in China, and Sprint, a mobile network, in the US. The company also has over 1,000 unlisted investments in a variety of internet related companies around the world. It is run by its founder Masayoshi Son, who is amongst Japan's richest men, and one of the leading entrepreneurs in Japan. In the short term Sprint was not allowed to take over another phone operator in the US but the business is being turned around and we believe that Alibaba has good growth potential, given its position in China.

Sysmex

3.0% of total assets

Sysmex is one of the world leaders in the in-vitro diagnostics market and has dominant positions in haematology and haemostasis. The company is very focused on leading edge R&D and continues to look for new areas of healthcare to explore. The company has been growing rapidly and expanding its market shares overseas. The highly automated diagnostic machines cut overall testing costs for hospitals and also provide Sysmex with high-margin consumable sales. Sysmex's immunochemistry division is showing good progress and the long term potential for it in cancer treatments is huge.



SoftBank
Masayoshi Son demonstrating a Pepper robot.

Toyo Tire and Rubber

2.9% of total assets

Toyo Tire is the smallest of the Japanese tyre companies but focuses its efforts on the pick-up truck market in the US where sales have been very strong as more trucks are sold when petrol prices are low. Toyo branded tyres along with sister brand Nitto have developed a strong presence in the market for rugged tyres, helped by such innovations as dinosaur footprint patterned tread. Unfortunately the company's small building related division was found to have sold non-compliant seismic damping products and there have been heavy costs for replacement. However, this is a small non-core division and the fundamentals for the main business remain promising.

Temp Holdings

2.8% of total assets

Temp Holdings is the largest temporary staffing company in Japan. With increasing tightness in the labour market, demand for this form of flexible labour supply has gone up. Being the largest in the market, Temp Holdings is well positioned to benefit from this demand growth and its profitability margin has expanded with sales level. We believe further deregulation is likely to come through in the employment sector and there remains plenty of room for industry consolidation going forward.

Rakuten

2.6% of total assets

Rakuten continues to develop its e-commerce eco system which includes online retail and financial services. The number of Rakuten credit cards is growing rapidly and they aim to be the largest credit card company in Japan by the end of next year. The core Ichiba-mall business has a larger market share in Japan than Amazon in America. Online retail penetration remains low in Japan giving scope for further growth. Overseas profitability remains mixed although Viber, the messaging service, has added a significant number of subscribers.

Japan Exchange Group

2.5% of total assets

Japan Exchange is an exchange platform that handles the majority of the equities and derivatives trading in Japan. Unlike many Western markets such as the US and Europe, Japan remains a very concentrated market for exchanges, with Japan Exchange enjoying a close to monopoly market share. We see the relative immaturity of Japan's derivatives market, the low pricing of listing and trading, as well as the exceptionally low household exposure to risk assets as key areas for growth for the company. This type of business requires minimal growth capital and is extremely cash generative, giving it a very attractive return on equity profile as its top line expands.



Fuji Heavy Industries

2.3% of total assets

The maker of Subaru cars has achieved its target for sales in North America years ahead of expectation. The focused model range, superb engine technology and strong customer experience have helped the company to grow further, fortuitously helped by poor winter weather that has highlighted the capabilities of their all-wheel drive cars. The company is expanding its manufacturing capacity in order to capitalise on the strong demand for its cars.

Itochu

2.3% of total assets

Itochu is one of the leading trading companies in Japan. These companies have holdings in literally hundreds of different businesses and in the last year Itochu has formed an alliance and invested in CITIC in Hong Kong alongside CP Pokphand of Thailand. This further emphasises the strong links that Itochu has to China and should be a source of future growth. The company is increasingly disciplined in its capital allocation and remains much misunderstood by the stock market.

Cookpad

2.3% of total assets

Cookpad offers one of the largest online collection of user generated recipes globally. It has a user base of over 60 million in Japan and it also runs a number of similar sites globally. So far only a fraction of the user base are paying members, but this number is rising rapidly. In addition to the membership revenue stream, Cookpad also generates revenue from advertising and offers a number of other services that are only in their infancy but could become material growth drivers in the future. This is a young and dynamic company with the founder still involved and it has the potential to become significantly bigger in years to come.

M3

2.3% of total assets

M3 provides medical related services globally by leveraging on the subscription base of doctors to its online portals. The company started by offering online marketing services in Japan. This online marketing is much cheaper for the pharmaceutical companies than face-to-face contact through a sales representative and allows more efficient time management by doctors. While building on the success in Japan, the company is developing the online marketing business globally and introducing other services such as clinical trials recruitment and physicians' recruitment.



Rakuten
Hiroshi Mikitani, founder and CEO.



New Holdings

Iida Group Holdings

1.6% of total assets

Iida is what is termed a 'power builder', which sells standardised, built-for-sale, detached homes on a rapid turnover basis. Formed through the merger of 6 leading companies in the industry, it has emerged as the overwhelming market leader, with considerable buying and selling power. In particular, it is the largest detached house-builder in the growing Tokyo metropolitan market. We see both cyclical and structural opportunities for Iida to grow further.

Outsourcing

1.3% of total assets

Outsourcing provides outsourcing services for manufacturing, IT and civil engineering companies. Regulatory change is providing new opportunities for staff placement and likely to lead to consolidation in the industry. At the same time, the labour market in Japan has become tighter, increasing demand for Outsourcing's services. The founder-CEO of Outsourcing retains a sizeable stake in the company, aligning his interests with other investors.

Recruit Holdings

1.0% of total assets

Recruit is Japan's largest HR services provider as well as a leader in a number of online marketing media, including websites in housing, travel, dining and beauty. We have long admired Recruit for its ability to inspire many entrepreneurs who then went on to found incredibly successful enterprises. It remains one of the most desirable workplaces for graduates and prides itself on its entrepreneurial culture. We believe Recruit will perform well in a labour shortage environment and its presence in the online space should provide the company with significant scope to grow in the future.

F@N Communications

0.4% of total assets

F@N Communications is a leading provider of affiliate marketing services for PCs and smartphones in Japan. The company aggregates details of lots of specialist small websites who would like to receive advertising revenues and introduces them to larger advertisers. It earns commissions based on the number of customers who click through the advert to enter the advertisers' website. As such it seems an attractive and direct play on the rise of online advertising in Japan, an area that has been slow to develop. The company has been strengthening its competitive position by adding new services to complement its core advertising platform and longer term; it could eventually emerge as one of the winners in what is a dynamic and fast growing industry.

Portfolio Performance Attribution for the Year to 31 August 2015*

Computed relative to the benchmark (TOPIX total return (in sterling terms)) with net income reinvested

Portfolio breakdown	Benchmark asset allocation		Baillie Gifford Japan asset allocation		Performance [†]		Contribution to relative return	Contribution attributable to:		
	01.09.14 %	31.08.15 %	01.09.14 %	31.08.15 %	BG Japan %	TOPIX total return %		Stock selection %	Asset allocation %	Gearing %
Commerce and services	12.5	12.6	24.9	27.9	26.8	12.6	3.1	3.1	–	–
Manufacturing and machinery	21.0	19.8	20.6	19.6	20.4	8.8	2.2	2.2	–	–
Retail	4.1	4.8	5.5	5.3	52.3	34.0	0.9	0.7	0.2	–
Electricals and electronics	12.8	11.7	14.2	12.9	5.7	4.9	–	0.1	(0.1)	–
Real estate and construction	6.1	5.8	5.7	5.4	2.1	5.7	(0.1)	(0.2)	0.1	–
Information, communication and utilities	9.2	9.7	9.1	9.8	12.4	18.3	(0.5)	(0.5)	–	–
Chemicals and other materials	11.6	10.9	7.3	5.6	(5.0)	7.1	(0.5)	(0.8)	0.3	–
Financials	13.9	14.9	10.0	10.3	15.6	20.0	(0.7)	(0.4)	(0.3)	–
Pharmaceuticals and food	8.8	9.8	2.7	3.2	6.2	26.0	(1.1)	(0.5)	(0.6)	–
Total Assets	100.0	100.0	100.0	100.0	17.2	13.4	3.3	3.7	(0.4)	–
Impact of gearing					3.0	–	3.0	–	–	3.0
Total (including gearing)[#]					20.6	13.4	6.3	3.7	(0.4)	3.0

Past performance is not a guide to future performance.

Source: StatPro/Baillie Gifford.

Contributions cannot be added together, as they are geometric; for example, to calculate how a return of 20.6% against a benchmark return of 13.4% translates into a relative return of 6.3%, divide the portfolio return of 120.6 by the benchmark return of 113.4, subtract one and multiply by 100. In addition, the total contribution figures include a residual element that relates to changes in weightings mid-month, which cannot be attributed to individual sectors. Consequently, the contributions for the individual sectors do not sum to the total contribution figures.

* The performance attribution table is based on total assets.

† The returns are total returns (net income reinvested), calculated on a monthly linked method.

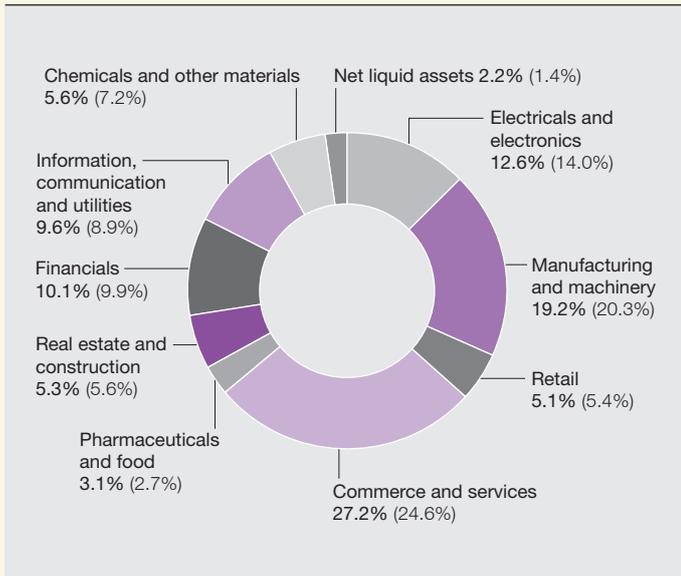
The total return performance of 20.6% excludes expenses and, therefore, differs from the NAV return (after deducting borrowings at par value) of 19.9% as a result.

Investment Changes

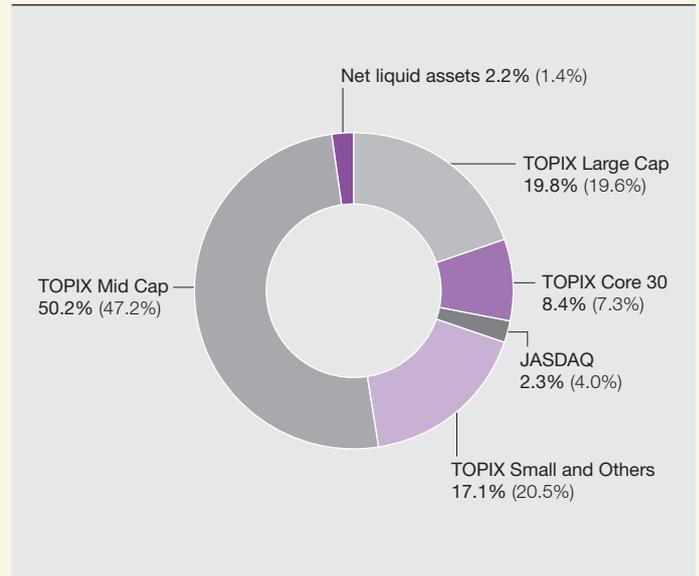
	Valuation at 31 August 2014 £'000	Net acquisitions/ (disposals) £'000	Appreciation/ (depreciation) £'000	Valuation at 31 August 2015 £'000
Equities:				
Commerce and services	71,411	12,392	19,165	102,968
Manufacturing and machinery	59,035	2,477	11,072	72,584
Retail	15,691	(4,163)	7,898	19,426
Electricals and electronics	40,534	5,878	1,292	47,704
Real estate and construction	16,335	3,876	(271)	19,940
Information, communication and utilities	25,967	7,141	3,283	36,391
Chemicals and other materials	20,846	1,398	(1,414)	20,830
Financials	28,688	5,743	3,587	38,018
Pharmaceuticals and food	7,768	3,480	459	11,707
Total equity investments	286,275	38,222	45,071	369,568
Net liquid assets	4,172	4,600	(461)	8,311
Total assets	290,447	42,822	44,610	377,879
Bank loans	(41,733)	(16,154)	3,161	(54,726)
Shareholders' funds	248,714	26,668	47,771	323,153

Distribution of Total Assets

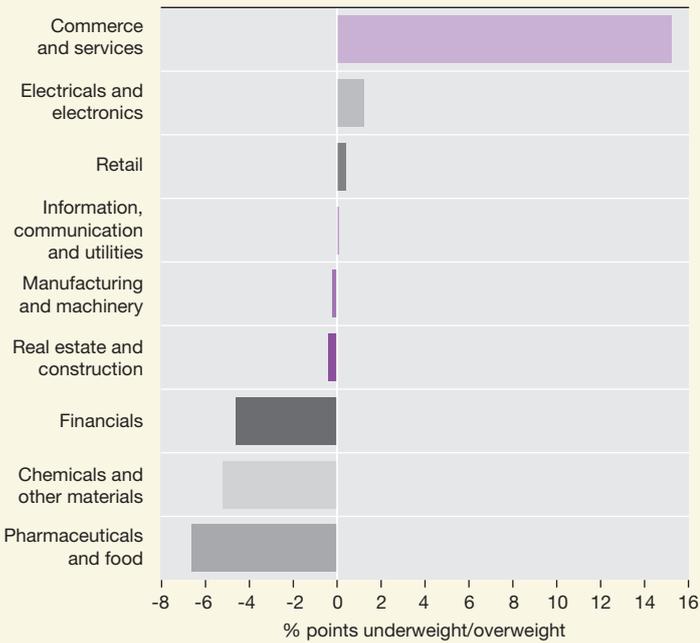
Industry 2015 (2014)



Listings 2015 (2014)



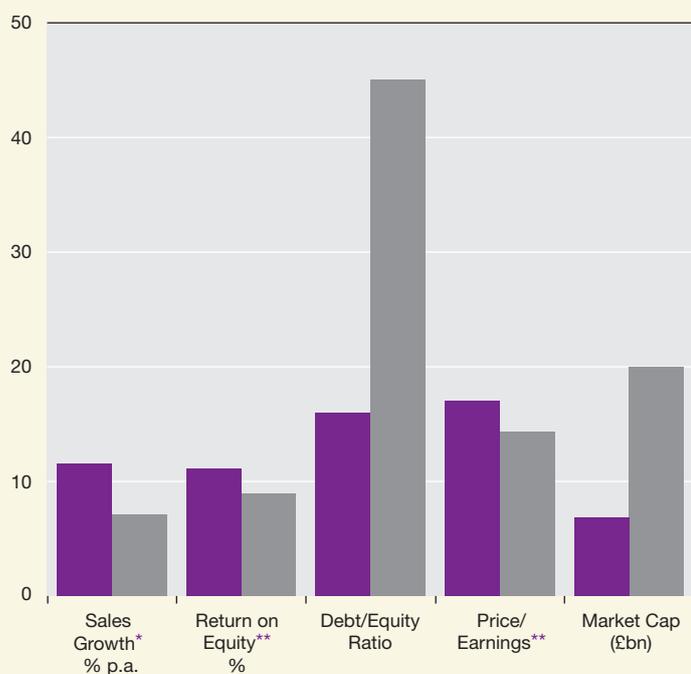
Equity Weightings Relative to Benchmark



Twenty Largest Holdings

Name	Business	2015 Value £'000	2015 % of total assets	2014 Value £'000
SoftBank	Telecom operator and internet investor	12,058	3.2	6,966
Sysmex	Medical equipment	11,183	3.0	6,607
Toyo Tire & Rubber	Tyre manufacturer	10,833	2.9	7,327
Temp Holdings	Employment and outsourcing services	10,568	2.8	6,236
Rakuten	Internet retail and financial services	9,676	2.6	6,664
Japan Exchange Group	Stock Exchange operator	9,329	2.5	6,580
Fuji Heavy Industries	Subaru cars	8,858	2.3	8,747
Itochu	Trading conglomerate	8,785	2.3	8,028
Cookpad	Recipe website	8,731	2.3	4,309
M3	Online medical database	8,690	2.3	6,073
GMO Internet	Internet services	8,460	2.2	4,438
Otsuka Corp	IT solutions for SMEs	8,272	2.2	6,158
H.I.S.	Travel agency and theme parks	8,257	2.2	6,666
Sumitomo Mitsui Trust	Trust bank and investment manager	8,242	2.2	4,808
Misumi Group	Precision machinery parts distributor	8,050	2.1	6,418
Kubota	Agricultural machinery	7,986	2.1	6,753
Sony	Consumer electronics, films and finance	7,770	2.1	4,418
Asics	Sports shoes and clothing	7,238	1.9	4,694
SMC	Pneumatic control equipment	7,209	1.9	5,375
Nitori	Furniture retail chain	7,005	1.8	4,894
		177,200	46.9	122,159

Portfolio Characteristics



- **Sales Growth:** Higher than average growth in sales
- **Quality:** Higher than average return on equity, stronger balance sheets
- **Value:** Small premium in terms of price earnings ratio
- **Size:** Mid to small cap exposure

Source: UBS, sterling, as at 31 August 2015.

*Historic: Trailing 3 years sales growth.

**12 month forward estimate.

Japan Trust
TOPIX

List of Investments at 31 August 2015

Name	Business	Value £'000	% of total assets	Absolute † performance %	Relative † performance %
Commerce and services					
Cookpad	Recipe website	8,731	2.3	103.0	79.0
Cyberagent	Internet advertising and content	5,936	1.6	25.6	10.8
F@N Communications	Internet advertising services	1,460	0.4	(17.2)*	(9.6)*
H.I.S.	Travel agency and theme parks	8,257	2.2	24.6	9.8
Hamakyorex	Logistics	3,413	0.9	16.8	3.0
Itochu	Trading conglomerate	8,785	2.3	4.8	(7.6)
Kakaku.com	Price comparison and restaurant review website	2,919	0.8	10.2	(2.9)
M3	Online medical database	8,690	2.3	43.5	26.5
Misumi Group	Precision machinery parts distributor	8,050	2.1	21.9	7.5
Mitsui & Co	Trading conglomerate	4,874	1.3	(11.1)	(21.6)
Mitsui Osk Lines	Marine transportation	2,086	0.5	(15.9)*	(19.4)*
Next	Real estate website	4,843	1.3	70.0	49.9
Nippon Ski Resort	Ski resort	295	0.1	46.3 *	59.8 *
Outsourcing	Employment placement services	4,970	1.3	50.3 *	59.2 *
Rakuten	Internet retail and financial services	9,676	2.6	20.1	5.9
Recruit Holdings	Property, lifestyle and HR media	4,041	1.0	(2.8)*	(1.4)*
Temp Holdings	Employment and outsourcing services	10,568	2.8	40.9	24.2
Toyota Tsusho	Markets automobiles and other products, Africa focus	5,374	1.4	(4.3)	(15.6)
		102,968	27.2		
Manufacturing and machinery					
Asics	Sports shoes and clothing	7,238	1.9	55.2	36.9
Disco	Specialist cutting for semiconductors	3,023	0.8	29.2	14.0
Fuji Heavy Industries	Subaru cars	8,858	2.3	35.6	19.6
Isuzu Motors	Trucks and pick-ups	5,102	1.4	(9.6)	(20.3)
Kubota	Agricultural machinery	7,986	2.1	19.7	5.5
Mazda Motor	Car manufacturer	5,608	1.5	(20.9)	(30.3)
Modec	Designs and leases offshore oil production facilities	3,164	0.8	(46.7)	(53.0)
Pigeon	Baby care products	6,572	1.7	46.7	29.3
Shimadzu	Environmental testing equipment	6,991	1.9	83.0	61.4
SMC	Pneumatic control equipment	7,209	1.9	0.8	(11.1)
Toyo Tire & Rubber	Tyre manufacturer	10,833	2.9	51.2	33.3
		72,584	19.2		
Retail					
Don Quijote	Discount store operator	6,924	1.8	59.2	40.3
Nitori	Furniture retail chain	7,005	1.8	44.0	27.0
Start Today	Internet fashion retailer	5,497	1.5	39.9	23.3
		19,426	5.1		
Electricals and electronics					
Advantest	Semiconductor testing devices	2,616	0.7	(24.7)	(33.6)
Fanuc	Robotics manufacturer	4,432	1.2	1.2 *	5.3 *
Iriso Electronics	Specialist auto connectors	5,956	1.6	(33.7)	(41.6)
Mitsubishi Electric	Industrial electric conglomerate	3,989	0.9	(12.5)	(22.9)
Rohm	Electronic component manufacturer	5,046	1.3	(7.0)	(18.0)
Sony	Consumer electronics, films and finance	7,770	2.1	47.7	30.3
Symex	Medical equipment	11,183	3.0	70.2	50.1
Yaskawa Electric	Robots and factory automation	6,712	1.8	(2.8)	(14.3)
		47,704	12.6		

Name	Business	Value £'000	% of total assets	Absolute † performance %	Relative † performance %
Real estate and construction					
Aeon Mall	Shopping centre developer and operator	2,946	0.8	(15.8)	(25.7)
Iida Group Holdings	Residential property developer	5,874	1.6	14.8*	20.2*
Park24	Parking, car hire and sharing	5,690	1.5	25.0	10.2
Tokyo Tatemono	Property leasing and development	5,430	1.4	(19.9)	(29.4)
		19,940	5.3		
Information, communication and utilities					
Broadleaf	Proprietary car repair database	1,822	0.5	(35.3)	(43.0)
Digital Garage	Internet business incubator	2,558	0.7	(11.7)	(22.1)
GMO Internet	Internet services	8,460	2.2	65.5	46.0
Hikari Tsushin	Mobile phone retailer	3,221	0.8	18.0	4.0
Otsuka Corp	IT solutions for SMEs	8,272	2.2	37.0	20.8
SoftBank	Telecom operator and internet investor	12,058	3.2	(12.7)	(23.0)
		36,391	9.6		
Chemicals and other materials					
Inpex	Oil and gas producer	4,807	1.3	(23.3)	(32.4)
Nifco	Car parts	5,142	1.4	27.0	12.0
Nippon Electric Glass	Flat panel display glass manufacturer	3,514	0.9	(2.1)	(13.7)
Shin-Etsu Chemical	Electronic materials and chemicals manufacturer	2,621	0.7	(3.3)	(14.7)
Sumitomo Metal Mining	Smelting and copper, nickel and gold mining	4,746	1.3	(8.0)	(18.9)
		20,830	5.6		
Financials					
Fukuoka Financial	Commercial bank	4,627	1.2	12.5	(0.8)
Japan Exchange Group	Stock Exchange operator	9,329	2.5	43.7	26.7
Mitsubishi UFJ Lease & Finance	Leasing company	5,659	1.5	(1.1)	(12.8)
SBI	Online broker and venture capital investor	6,916	1.8	13.1	(0.3)
Sumitomo Mitsui Trust	Trust bank and investment manager	8,242	2.2	11.1	(2.1)
Suruga Bank	Specialist regional bank	3,245	0.9	9.8	(3.2)
		38,018	10.1		
Pharmaceuticals and food					
SanBio	Stem cell based stroke treatment	820	0.2	(32.2)*	(29.3)*
Sawai Pharmaceutical	Generic pharmaceuticals	3,744	1.0	20.6	6.3
Toyo Suisan Kaisha	Noodle maker	3,100	0.8	31.0	15.5
Tsumura	Herbal medicines	4,043	1.1	(4.2)	(15.5)
		11,707	3.1		
Total Investments		369,568	97.8		
Net Liquid Assets		8,311	2.2		
Total Assets		377,879	100.0		
Bank Loans		(54,726)	(14.5)		
Shareholders' Funds		323,153	85.5		

† Absolute and relative performance has been calculated on a total return basis over the period 1 September 2014 to 31 August 2015. For investments held for part of the year, the return is for the period they were held. Absolute performance is in sterling terms; relative performance is against TOPIX total return (in sterling terms).

* Figures relate to part period returns.

Source: Baillie Gifford/StatPro.

Past performance is not a guide to future performance.

The Strategic Report which includes pages 2 to 17 was approved by the Board of Directors and signed on its behalf on 16 October 2015.

Nick AC Bannerman
Chairman

Directors and Management

Members of the Board come from a broad variety of backgrounds. The Board can draw on a very extensive pool of knowledge and experience.

Directors

Nick Bannerman

Nick Bannerman was appointed a Director in 2003 and became Chairman on 26 November 2014. He is Managing Director (Knitwear) of Johnstons of Elgin, Scotland's largest textile company. Established in 1797, Johnstons is a fully vertical operation specialising in cashmere, with sales offices worldwide, including Tokyo. He is a Chartered Accountant.

Martin Barrow CBE

Martin Barrow was appointed a Director in 2001 and is the Senior Independent Director. He has extensive knowledge of Asia, having worked there for 35 years for Jardine Matheson, including eight years in Japan. He is an Honorary Ambassador for the Visit Japan Campaign. He is a director of Matheson & Co, the China Britain Business Council, Westonbirt School and the European Islamic Investment Bank plc.

Paul Dimond CMG

Paul Dimond was appointed a Director in 2006. In HM Diplomatic Service until 2005, he served for 16 years in Japan, working in both Tokyo and Osaka, and was Commercial Counsellor from 1989 to 1993. He had a senior British public service role in three continents, his last appointment being HM Ambassador to the Philippines. He is deputy chairman of DAKS Simpson Group plc and DAKS Limited, director of the Anglo-Netherlands Society and the Torch Trophy Trust.

Keith Falconer

Keith Falconer was appointed a Director in 2014 and became Chairman of the Audit Committee on 26 November 2014. He was with Martin Currie Investment Management Ltd from 1979 until his retirement in 2003 and between 1982 and 1987, he headed up the Japanese Equity team. He is Chairman of Impax Asset Management Group plc, Adelphi Distillery Ltd and two funds managed by Rays Capital Partners in Hong Kong; Asian Equity Special Opportunities Fund and Asian Opportunities Absolute Return Fund. He is a non-executive director of the China A Share Fund. He qualified as a Chartered Accountant.

Martin Paling

Martin Paling was appointed a Director in 2008. He was an investment director of Bentley Capital (Europe) Ltd between 1996 and 2008. From 1993 to 1996 he was deputy chief investment officer of Baring Asset Management (Asia) Ltd in Hong Kong. Prior to that he worked for James Capel & Co, where he was chief international investment strategist and James Capel (Far East) Ltd in Hong Kong where he directed institutional sales. Previously, he was a partner and head of Singapore/Malaysia sales at Montagu, Loeb, Stanley & Co.

All Directors are members of the Nomination and Audit Committees.

Directors' Service Details

Name	Date of appointment	Due date for re-election
NAC Bannerman	2/10/03	AGM 2015
M Barrow	2/10/01	Retiring AGM 2015
PS Dimond	31/7/06	AGM 2015
JKR Falconer	8/7/14	AGM 2017
MH Paling	1/11/08	AGM 2017

Managers and Secretaries

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager ('AIFM') and Company Secretary. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Baillie Gifford & Co is an investment management firm formed in 1927 out of the legal firm Baillie Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manage seven investment trusts. Baillie Gifford also manage unit trusts and open ended investment companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford total around £115 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 40 partners and a staff of around 860.

The manager of Baillie Gifford Japan is Sarah Whitley, a Partner of Baillie Gifford. She is the head of a team of 8 people covering the Japanese market from Edinburgh, with the additional support of a research consultant in Japan. She has been involved with Baillie Gifford Japan since 1982.

Baillie Gifford & Co Limited and Baillie Gifford & Co are both authorised and regulated by the Financial Conduct Authority.

Directors' Report

The Directors present their Report together with the audited financial statements of the Company for the year to 31 August 2015.

Corporate Governance

The Corporate Governance Report is set out on pages 22 to 24 and forms part of this Report.

Manager and Company Secretaries

The Board as a whole fulfils the function of the Management Engagement Committee.

An Investment Management Agreement between the Company and Baillie Gifford & Co Limited sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Management Agreement is terminable on not less than 6 months' notice or on shorter notice in certain circumstances. Compensation would only be payable if termination occurred prior to the expiry of the notice period. Careful consideration has been given by the Board as to the basis on which the management fee is charged. The Board considers that maintaining a relatively low ongoing charges ratio is in the best interests of the shareholders. The Board is also of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence over the long term performance. The annual management fee payable is 0.95% on the first £50m of net assets and 0.65% on the remaining net assets, calculated and payable quarterly.

The Board considers the Company's investment management and secretarial arrangements for the Company on an ongoing basis and a formal review is conducted annually. The Board considers, amongst others, the following topics in its review: the quality of the personnel assigned to handle the Company's affairs; the investment process and the results achieved to date; investment performance; the administrative services provided by the Secretaries and the quality of information provided; the marketing efforts undertaken by the Managers; and the relationship with the Managers.

Following the most recent review it is the opinion of the Directors that the continuing appointment of Baillie Gifford & Co Limited as AIFM and the delegation of investment management services to Baillie Gifford & Co, on the terms agreed, is in the interests of shareholders as a whole. This is due to the strength and quality of the investment management team, the Managers' commitment to the investment trust sector and the comprehensive efficiency of the secretarial and administrative functions.

Depositary

In accordance with the AIFMD, BNY Mellon Trust & Depositary (UK) Limited has been appointed as Depositary to the Company. The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary has delegated the custody function to The Bank of New York Mellon SA/NV ('the Custodian').

Directors

Information about the Directors, including their relevant experience, can be found on page 18.

Mr NAC Bannerman and Mr PS Dimond having served for more than nine years, are subject to annual re-election and will therefore be retiring at the Annual General Meeting and will offer themselves for re-election. Following formal performance evaluation, the performance of Mr NAC Bannerman and Mr PS Dimond continues to be effective and each remains committed to the Company. Their contribution to the Board is greatly valued and the Board recommends their re-election to shareholders.

Mr M Barrow will retire from the Board at the conclusion of the Annual General Meeting.

Director Indemnification and Insurance

The Company has entered into deeds of indemnity in favour of each of its Directors. The deeds cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person.

The Company maintains Directors' and Officers' liability insurance.

Conflicts of Interest

Each Director submits a list of potential conflicts of interest to the Nomination Committee on an annual basis. The Committee considers these carefully, taking into account the circumstances surrounding them and makes a recommendation to the Board on whether or not the potential conflicts should be authorised. Board authorisation is for a period of one year. Having considered the lists of potential conflicts there were no situations which gave rise to a direct or indirect interest of a Director which conflicted with the interests of the Company.

Dividend

The revenue reserve remains in deficit despite a net revenue return of £199,000. Consequently, the Company will not pay a dividend.

Share Capital

Capital Structure

The Company's capital structure consists of 75,121,750 ordinary shares of 5p each at 31 August 2015 (2014 – 69,331,750). There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares.

Capital Entitlement

On a winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings.

Voting

Each ordinary shareholder present in person or by proxy is entitled to one vote on a show of hands and, on a poll, to one vote for every share held.

Information on the deadlines for proxy appointments can be found on pages 48 and 49.

Major Interests in the Company's Shares

Name	No of ordinary 5p shares held at 31 August 2015	% of issue
Brewin Dolphin Limited (indirect)	4,372,650	5.8
Rathbone Brothers PLC (indirect)	3,412,614	4.5

There have been no changes to the major interests in the Company's shares intimated up to 15 October 2015.

Share Issuance Authority

At the last Annual General Meeting, the Directors were granted authority to issue shares up to an aggregate nominal amount of £1,158,029.17, and to issue shares or sell shares held in treasury on a non-pre-emptive basis for cash up to an aggregate nominal amount of £347,408.75. These authorities are due to expire at the Annual General Meeting on 30 November 2015.

Resolution 8 in the Notice of Annual General Meeting seeks to renew the Directors' general authority to issue shares up to an aggregate nominal amount of £1,263,695.80. This amount represents 33.33% of the Company's total ordinary share capital in issue at 15 October 2015 and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 8 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 9, which is proposed as a special resolution, seeks to provide the Directors with authority to issue shares or sell shares held in treasury on a non-pre-emptive basis for cash (i.e. without first offering such shares to existing shareholders pro-rata to their existing holdings) up to an aggregate nominal amount of £379,108.75 (representing 10% of the issued ordinary share capital of the Company as at 15 October 2015). The authorities sought in Resolutions 8 and 9 will continue until the conclusion of the Annual General Meeting to be held in 2016 or on the expiry of 15 months from the passing of this resolution, if earlier.

Such authorities will only be used to issue shares or re-sell shares from treasury at a premium to net asset value and only when the Directors believe that it would be in the best interests of the Company to do so. The Directors believe that the ability to buy back shares at a discount and re-sell them or issue new shares at a premium are useful tools in smoothing supply and demand. During the year to 31 August 2015 the Company issued 5,790,000 shares at a premium to net asset value on thirty separate occasions at an average price of 456.79 pence per share raising proceeds of £26,469,000. Between 1 September 2015 and 15 October 2015, the Company issued a further 700,000 shares at a premium to net asset value raising proceeds of £2,938,000. No shares were held in treasury as at 15 October 2015.

Market Purchases of Own Shares

At the last Annual General Meeting the Company was granted authority to purchase up to 10,415,314 ordinary shares (equivalent to 14.99% of its issued share capital), such authority to expire at the 2015 Annual General Meeting. No shares were bought back during the year under review and no shares are held in treasury.

Share buy-backs may be made principally:

- (i) to enhance net asset value for continuing shareholders by purchasing shares at a discount to the prevailing net asset value; and
- (ii) to address any imbalance between the supply of and the demand for the Company's shares that results in a discount of the quoted market price to the published net asset value per share.

The Company may hold bought-back shares 'in treasury' and then:

- (i) sell such shares (or any of them) for cash (or its equivalent under the Treasury Shares Regulations); or
- (ii) cancel the shares (or any of them).

All buy-backs will initially be held in treasury. Shares will only be resold from treasury at a premium to net asset value.

The Directors are seeking shareholders' approval at the Annual General Meeting to renew the authority to make market purchases up to 11,365,680 ordinary shares representing approximately 14.99% of the Company's ordinary shares in issue at the date of passing of the resolution, such authority to expire at the Annual General Meeting of the Company to be held in 2016.

In accordance with the Listing Rules of the UK Listing Authority, the maximum price (excluding expenses) that may be paid on the exercise of the authority must not exceed the higher of:

- (i) 5 percent above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
- (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange.

The minimum price (exclusive of expenses) that may be paid will be 5p per share. Purchases of shares will be made within guidelines established, from time to time, by the Board. Your attention is drawn to Resolution 10 in the Notice of Annual General Meeting. This authority, if conferred, will only be exercised if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders and if it is considered in the best interests of shareholders generally.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

Continuation of the Company

The Company's Articles of Association give shareholders the right to vote annually at the Annual General Meeting of the Company on whether to continue the Company. The Directors wish to draw your attention to Resolution 7 in the Notice of Annual General Meeting, which proposes that the Company be continued until the 2016 Annual General Meeting.

Disclosure of Information to Auditor

The Directors confirm that, so far as each of the Directors is aware, there is no relevant audit information of which the Company's Auditor is unaware and the Directors have taken all the steps that they might reasonably be expected to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Independent Auditor

Resolutions to reappoint PricewaterhouseCoopers LLP as Independent Auditor to the Company and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Post Balance Sheet Events

The Directors confirm that there have been no significant post Balance Sheet events up to 15 October 2015.

Recommendation

The Directors consider each resolution being proposed at the Annual General Meeting to be in the best interests of the Company and its shareholders as a whole and they unanimously recommend that all shareholders vote in favour of them, as they intend to do where possible in respect of their own beneficial holdings of shares which amount, in aggregate, to 45,546 shares, representing approximately 0.06% of the current issued share capital of the Company.

Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Bribery Act

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Managers also adopt a zero tolerance approach and have policies and procedures in place to prevent bribery.

By order of the Board
Nick AC Bannerman
Chairman
16 October 2015

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2012 UK Corporate Governance Code (the 'Code') which can be found at www.frc.org.uk and the relevant principles of the Association of Investment Companies Code of Corporate Governance (the 'AIC Code') were applied throughout the financial year. The AIC Code, provides a framework of best practice for investment companies and can be found at www.theaic.co.uk.

Compliance

The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code.

The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters formally reserved for its approval including strategy, investment policy, currency hedging, gearing, treasury matters, dividend and corporate governance policy. A separate strategy session is held annually. The Board also reviews the financial statements, investment transactions, revenue budgets and performance of the Company. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

The Board comprises five Directors, all of whom are non-executive. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

The executive responsibility for investment management has been delegated to the Company's Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited, and, in the context of a Board comprising only non-executive Directors, there is no chief executive officer. Mr M Barrow is the Senior Independent Director.

The Directors believe that the Board has a balance of skills and experience that enables it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on page 18.

There is an agreed procedure for Directors to seek independent professional advice, if necessary, at the Company's expense.

Appointments

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for inspection on request.

Under the provisions of the Company's Articles of Association, a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting. Directors are required to submit themselves for re-election at least once every three years and Directors who have served for more than nine years offer themselves for re-election annually.

Independence of Directors

All the Directors are considered by the Board to be independent of the Managers and free of any business or other relationship which could interfere with the exercise of their independent judgement.

The Directors recognise the importance of succession planning for company boards and review the Board composition annually. The Board is of the view that length of service will not necessarily compromise the independence or contribution of Directors of an investment trust company, where continuity and experience can be a benefit to the Board. The Board concurs with the view expressed in the AIC Code that long serving Directors should not be prevented from being considered independent.

Mr NAC Bannerman, Mr M Barrow and Mr PS Dimond have served on the Board for more than nine years. Following formal performance evaluation, the Board believes that, notwithstanding their length of service, Mr NAC Bannerman, Mr M Barrow and Mr PS Dimond, continue to be independent in character and judgement. Mr Bannerman has a sound background in finance. Mr Barrow has extensive business contacts throughout Asia and Mr Dimond has wide Japanese commercial experience covering all types of industry. Their independence has not been compromised by length of service.

Mr M Barrow will retire from the Board at the conclusion of the Annual General Meeting and will not be seeking re-election. Fletcher Jones has been engaged to help identify potential candidates to replace Mr Barrow. Fletcher Jones has no other connection with the Company or Directors.

Meetings

There is an annual cycle of Board meetings which is designed to address, in a systematic way, overall strategy, review of investment policy, investment performance, marketing, revenue budgets, dividend policy and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively. The table below shows the attendance record for the Board and Committee meetings held during the year. The Annual General Meeting was attended by all Directors serving at that date.

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
Number of meetings	6	2	1
NAC Bannerman	6	2	1
M Barrow	6	2	1
PS Dimond	6	2	1
JKR Falconer	6	2	1
MH Paling	6	2	1

Nomination Committee

The Nomination Committee consists of the whole Board and the Chairman of the Board is the Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference which include reviewing the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, succession planning and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not the potential conflicts should be authorised.

Appointments to the Board are made on merit with due regard for the benefits of diversity including gender. The priority in appointing new Directors is to identify the candidate with the best range of skills and experience to complement existing Directors. The Board therefore does not consider it appropriate to set diversity targets.

The Committee's terms of reference are available on request from the Company and on the Company's page of the Managers' website: www.japantrustplc.co.uk.

Performance Evaluation

An appraisal of the Chairman, each Director and a performance evaluation and review of the Board as a whole and its Committees was carried out during the year. After inviting each Director and the Chairman to consider and respond to an evaluation questionnaire, each Director had an interview with the Chairman and the Chairman's appraisal was led by Mr M Barrow, the Senior Independent Director. The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and its Committees. Following this process it was concluded that the performance of each Director, the Chairman, the Board and its Committees continues to be effective and that each Director and the Chairman remain committed to the Company.

A review of the Chairman's and the other Directors' commitments was carried out and the Nomination Committee is satisfied that they are capable of devoting sufficient time to the Company. There were no significant changes to the Chairman's other commitments during the year.

Induction and Training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. Briefings were provided during the year on regulatory matters. Directors receive other relevant training as necessary.

Remuneration

As all the Directors are non-executive, there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 27 and 28.

Audit Committee

The report of the Audit Committee is set out on pages 25 and 26.

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Company's risk management and internal controls systems and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the guidance 'Internal Control: Revised Guidance for Directors on the Combined Code'.

The practical measures in relation to the design, implementation and maintenance of control policies and procedures to safeguard

the Company's assets and to manage its affairs properly, including the maintenance of effective operational and compliance controls have been delegated to the Managers and Secretaries.

The Board oversees the functions delegated to the Managers and Secretaries and the controls managed by the AIFM in accordance with the Alternative Investment Fund Managers Directive (as detailed below). Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk management function provide the Audit Committee with regular reports on their monitoring programmes. The reporting procedures for these departments are defined and formalised within a service level agreement. Baillie Gifford & Co conducts an annual review of its system of internal controls which is documented within an internal controls report which complies with ISAE 3402 and Technical Release AAF 01/06 – Assurance Reports on Internal Controls of Service Organisations made available to Third Parties. This report is independently reviewed by Baillie Gifford & Co's External Auditor and a copy is submitted to the Audit Committee.

A report identifying the material risks faced by the Company and the key controls employed to manage these risks is reviewed by the Audit Committee.

These procedures ensure that consideration is given regularly to the nature and extent of risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage these risks.

The Directors confirm that they have reviewed the effectiveness of the Company's risk management and internal controls systems and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review and up to the date of this Report.

The Board confirms that these procedures have been in place throughout the Company's financial year and continue to be in place up to the date of approval of this Report.

To comply with the Alternative Fund Managers Directive, BNY Mellon Trust & Depositary (UK) Ltd acts as the Company's Depositary and Baillie Gifford & Co Limited as AIFM.

The Depositary's responsibilities include cash monitoring, safe keeping the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Depositary has delegated the custody function to The Bank of New York Mellon SA/NV London Branch. The custodian prepares a report on its key controls and safeguards which is independently reviewed by KPMG LLP.

The Depositary provides the Audit Committee with a report on its monitoring activities.

The AIFM has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor compliance with risk limits. The AIFM has a risk policy which covers the risks associated with the portfolio, and the adequacy and effectiveness of this policy is

reviewed and approved at least annually. This review includes the risk management processes and systems and limits for each risk area.

The risk limits, which are set by the AIFM and approved by the Board take into account the objectives, strategy and risk profile of the portfolio. These limits, including leverage (see page 54), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing are escalated to the AIFM and reported to the Board along with remedial measures being taken.

Going Concern

In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained in note 19 to the financial statements. 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 Directors have no reason to believe that the continuation resolution will not be passed at the Annual General Meeting. Accordingly, the financial statements have 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. If the continuation resolution is not passed, the Articles provide that the Directors shall convene a General Meeting within three months at which a special resolution will be proposed to wind up the Company voluntarily. If the Company is wound up, its investments may not be realised at their full market value.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders, accompanied by the Chairman when requested and report shareholders' views to the Board. The Chairman is available to meet with shareholders as appropriate. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the Company's registered office or through the Company's broker, Canaccord Genuity, see contact details on back cover.

The Company's Annual General Meeting provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the Meeting and is published at www.japantrustplc.co.uk subsequent to the meeting. The notice period for the Annual General Meeting is at least twenty working days. Shareholders and potential investors may obtain up-to-date information on the Company from the Managers' website at www.japantrustplc.co.uk.

Corporate Governance and Stewardship

The Company has given discretionary voting powers to Baillie Gifford & Co. The Managers vote against resolutions they consider may damage shareholders' rights or economic interests.

The Company believes that it is in the shareholders' interests to consider environmental, social and governance ('ESG') factors when selecting and retaining investments and has asked the Managers to take these issues into account as long as the investment objectives are not compromised. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors could impact long term investment returns. The Managers' Statement of Compliance with the UK Stewardship Code can be found on the Managers' website: www.bailliegifford.com. The Managers' policy has been reviewed and endorsed by the Board.

The Managers are signatories of the United Nations Principles for Responsible Investment and the Carbon Disclosure Project.

By order of the Board
Nick AC Bannerman
Chairman
16 October 2015

Audit Committee Report

The Audit Committee consists of all independent Directors. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Mr JKR Falconer is Chairman of the Audit Committee. The Committee's authority and duties are clearly defined within its written terms of reference which are available at:

www.japantrustplc.co.uk. The terms of reference are reviewed annually.

The Committee's effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process.

At least once a year the Committee meets with the external Auditor without any representative of the Manager being present.

Main Activities of the Committee

The Committee met twice during the year and PricewaterhouseCoopers LLP, the external Auditor, attended both meetings. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes for these meetings.

The matters considered, monitored and reviewed by the Committee during the course of the year included the following:

- the preliminary results announcement and the annual and interim reports;
- the Company's accounting policies and practices;
- the regulatory changes impacting the Company;
- the fairness, balance and understandability of the Annual Report and Financial Statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- the effectiveness of the Company's internal control environment;
- reappointment, remuneration and engagement letter of the external Auditor;
- Whether the audit services contract should be put out to tender;
- The policy on the engagement of the external Auditor to supply non-audit services;
- the independence, objectivity and effectiveness of the external Auditor;
- the need for the Company to have its own internal audit function;
- internal controls reports received from the Managers and custodians; and
- the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Internal Audit

The Committee continues to believe that the compliance and internal control systems and the internal audit function in place within the Investment Managers provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

Financial Reporting

The Committee considers that the most significant issues likely to affect the financial statements are the existence and valuation of investments, as they represent 97.8% of total assets and the accuracy and completeness of income from investments.

All of the investments are in quoted securities and market prices are readily available from independent external pricing sources. The Committee reviewed the Managers' Report on Internal Controls which details the controls in place regarding recording and pricing of investments and accurate recording of investment income.

The value of all the investments at 31 August 2015 were agreed to external price sources and the holdings agreed to confirmations from the Company's custodian.

The Managers and Auditor confirmed to the Committee that they were not aware of any material misstatements in the context of the Financial Statements as a whole.

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 23 and 24. No significant weaknesses were identified in the year under review.

External Auditor

To fulfil its responsibility regarding the independence of the external Auditor, the Committee reviewed:

- the audit plan for the current year;
- a report from the Auditor describing their arrangements to manage auditor independence and received confirmation of its independence; and
- the extent of non-audit services provided by the external Auditor. There were no non-audit fees for the year to 31 August 2015.

To assess the effectiveness of the external Auditor, the Committee reviewed and considered:

- the Auditor's fulfilment of the agreed audit plan;
- responses to the ICAS Annual Audit Assessment Questionnaire;
- feedback from the Secretaries on the performance of the audit team; and
- the Audit Quality Inspection Report from the FRC.

To fulfil its responsibility for oversight of the external audit process the Committee considered and reviewed:

- the Auditor's engagement letter;
- the Auditor's proposed audit strategy;
- the audit fee; and
- a report from the Auditor on the conclusion of the audit.

PricewaterhouseCoopers LLP, or its predecessor firms, have been engaged as the Company's Auditor for 33 years. The audit partners responsible for the audit are rotated at least every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide

Governance Report

fresh challenge to the business. The current lead audit partner, Ms Catrin Thomas, has been in place for three years and will continue as partner until the conclusion of the 2017 audit.

PricewaterhouseCoopers LLP have confirmed that they believe they are independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired.

Having carried out the review described above, the Committee is satisfied that the Auditor remains independent and effective and as such, has not considered it necessary to conduct a tender process for the appointment of its Auditors at this stage.

The Committee is aware that the EU regulations in relation to the statutory audits of EU listed companies will require the Company to change its audit firm by 2020.

There are no contractual obligations restricting the Committee's choice of external auditor.

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 29 to 32.

By order of the Board
JKR Falconer
Audit Committee Chairman
16 October 2015

Directors' Remuneration Report

This report has been prepared in accordance with the requirements of the Companies Act 2006.

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy which is set out below was approved at the Annual General Meeting in November 2014 and no changes are proposed.

The Board reviewed the level of fees during the year and it was agreed that there would be no change to the fees. The fees were last increased on 1 September 2014.

Directors' Remuneration Policy

The Board is composed wholly of non-executive Directors, none of whom has a service contract with the Company. There is no separate remuneration committee and the Board as a whole considers changes to Directors' fees from time to time. Baillie Gifford & Co Limited, who have been appointed by the Board as Managers and Secretaries, provide comparative information when the Board considers the level of Directors' fees.

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. The Board believes that the fees paid to the Directors should reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by comparable investment trusts. Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Board's policy on remuneration.

The fees for the non-executive Directors are payable six monthly in arrears and are determined within the limit set out in the Company's Articles of Association which is currently £150,000

per annum in aggregate. Any change to this limit requires shareholder approval. Non-executive Directors are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses. There are no performance conditions relating to Directors' fees and there are no long-term incentive schemes or pension schemes. No compensation is payable on loss of office.

The fees paid to Directors in respect of the year ended 31 August 2015 and the expected fees payable in respect of the year ending 31 August 2016 are set out in the table below. The fees payable to the Directors in the subsequent financial periods will be determined following an annual review of the Directors' fees.

	Expected fees for year ending 31 Aug 2016 £	Fees as at 31 Aug 2015 £
Chairman's fee	30,000	30,000
Non-executive Director fee	22,000	22,000
Additional fee for Chairman of the Audit Committee	2,500	2,500
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	150,000	150,000

Annual Report on Remuneration

An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 30 to 32.

Directors' Remuneration for the Year (audited)

The Directors who served during the year received the following remuneration in the form of fees. This represents the entire remuneration paid to the Directors.

Name	2015 Fees £	2015 Taxable benefits* £	2015 Total £	2014 Fees £	2014 Taxable benefits* £	2014 Total £
NAC Bannerman (Chairman)	28,688	679	29,367	23,500	940	24,440
M Barrow	22,000	1,885	23,885	21,000	2,314	23,314
PS Dimond	22,000	2,142	24,142	21,000	4,353	25,353
JKR Falconer (Audit Committee Chairman)	23,904	270	24,174	3,204	–	3,204
MH Paling	22,000	2,079	24,079	21,000	2,784	23,784
RA Barfield (retired 26 November 2014)	7,269	489	7,758	28,500	1,228	29,728
	125,861	7,544	133,405	118,204	11,619	129,823

* Comprises travel and subsistence expenses incurred by or on behalf of Directors in the course of travel to attend Board and Committee meetings held at the Company's registered office in Edinburgh. These amounts have been grossed up for income tax and, if applicable, National Insurance contributions.

Directors' Interests (audited)

The Directors at the year end, and their interests in the Company, are as shown below. Mr Barfield had a beneficial holding of 31,629 ordinary shares in the Company at the date of his retirement on 26 November 2014. There have been no changes intimated in the Directors' interests up to 15 October 2015.

Name	Nature of interest	Ordinary 5p shares held at 31 August 2015	Ordinary 5p shares held at 31 August 2014
NAC Bannerman	Beneficial	8,496	7,084
M Barrow	Beneficial	5,000	5,000
PS Dimond	Beneficial	3,550	3,550
JKR Falconer	Beneficial	18,500	18,500
MH Paling	Beneficial	10,000	10,000

Statement of Voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Policy, 99.5% were in favour, 0.3% were against and votes withheld were 0.2% and in respect of the Directors' Remuneration Report, 99.5% were in favour, 0.2% were against and votes withheld were 0.3%.

Relative Importance of Spend on Pay

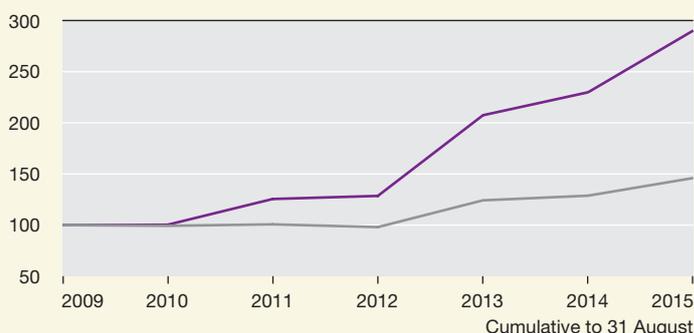
As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders.

Company Performance

The following graph compares the share price total return (assuming all dividends are reinvested) to ordinary shareholders compared with the total shareholder return on a notional investment made up of shares in the component parts of the TOPIX total return (in sterling terms). This index was chosen for comparison purposes as it is the index against which the Company has measured its performance over the period covered by the graph.

Performance Graph

(figures rebased to 100 at 31 August 2009)



Source: Thomson Reuters Datastream/Baillie Gifford.

— Baillie Gifford Japan's share price
— TOPIX total return (in sterling terms)

All figures are total returns (assuming net dividends are reinvested).

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 27 and 28 was approved by the Board of Directors and signed on its behalf on 16 October 2015.

Nick AC Bannerman
Chairman

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable laws and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page of the Managers' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed within the Directors and Management section confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board
Nick AC Bannerman
16 October 2015

Notes

The following notes relate to financial statements published on a website and are not included in the printed version of the Annual Report and Financial Statements:

- The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page of the Managers' website; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website; and
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

to the members of The Baillie Gifford Japan Trust PLC

Report on the financial statements

Our opinion

In our opinion, Baillie Gifford Japan Trust PLC's financial statements (the 'financial statements'):

- give a true and fair view of the state of the company's affairs as at 31 August 2015 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have Audited

The Baillie Gifford Japan Trust PLC's financial statements comprise:

- the Balance Sheet as at 31 August 2015;
- the Income Statement for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Reconciliation of Movements in Shareholders' Funds for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our Audit Approach

Overview

Materiality

- Overall materiality: £3.2 million which represents 1% of net assets.

Audit Scope

- The Company is a standalone Investment Trust Company and has engaged Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as the Company's Alternative Investment Fund Manager and Company Secretary. Baillie Gifford & Co Limited have delegated the investment management function to Baillie Gifford & Co (the 'Manager').
- We conducted our audit of the financial statements at Baillie Gifford & Co.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

Areas of Focus

- Income from investments.
- Valuation and existence of investments.

The Scope of our Audit and our Areas of Focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)').

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias or manipulation by management or the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
<p>Income from investments</p> <p><i>Refer to page 25 (Audit Committee Report), page 37 (Accounting Policies) and page 38 (Notes).</i></p> <p><i>ISAs (UK & Ireland) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve capital growth in line with the objective of the company. We considered this risk to specifically relate to the risk of overstating unrealised gains and the misclassification of dividend income as capital rather than revenue.</i></p> <p><i>We focused on the valuation of investments with respect to unrealised income (see below) and the accuracy and completeness of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP').</i></p> <p><i>Unrealised gains in the year amounted to £36.6m. Dividend income totalled £4.3m.</i></p>	<p>We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy.</p> <p>We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy.</p> <p>For unrealised gains and losses, we tested the valuation of the portfolio at the year-end (see below), together with testing the reconciliation of opening and closing investments. No misstatements were identified.</p> <p>We understood and assessed the design and implementation of key controls surrounding income recognition. This included considering the relevant controls tested and reported upon through the Baillie Gifford & Co AAF01/06 and ISAE3402 Type II Reporting Accountants Assurance Report on Internal Controls for the year ended 30 April 2015.</p> <p>In addition, we tested dividend receipts by agreeing the dividend rates from a sample of investments to independent third party sources. No misstatements were identified by our testing/which required reporting to those charged with governance. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared by a sample of investment holdings in the portfolio. Our testing did not identify any unrecorded dividends.</p> <p>We tested the allocation and presentation of dividend income between the income and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP.</p> <p>We also tested a sample of manual journals to ascertain whether any inappropriate journals had been posted to income. No issues were identified through our testing in this area.</p>

Area of focus	How our audit addressed the area of focus
Valuation and existence of investments <i>Refer to page 25 (Audit Committee Report), page 37 (Accounting Policies) and page 40 (notes). The investment portfolio at the year end 31 August 2015 comprised listed equity investments valued at £370m. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Balance Sheet in the financial statements.</i>	<p>We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources.</p> <p>No misstatements were identified by our testing which required reporting to those charged with governance.</p> <p>We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from Bank of New York Mellon SA/NV. No differences were identified.</p>

How we tailored the Audit Scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the types of investments within the Company, the involvement of the Manager, the accounting processes and controls, and the industry in which the Company operates.

As part of our risk assessment, we assessed the control environment in place at the Manager to the extent relevant to our audit. This assessment of the operating and accounting structure in place involved obtaining and reading the relevant control report issued by the independent auditor of the Manager in accordance with generally accepted assurance standards for such work. We then identified those key controls at the Manager on which we could place reliance to provide audit evidence. We also assessed the gap period of 4 months between the period covered by the controls report and the year-end of the Company. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements, including whether we needed to perform additional testing in respect of those key controls to support our substantive work. For the purposes of our audit, we determined that additional testing of controls in place at the Manager was not required because additional substantive testing was performed.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£3.2 million (2014: £2.5 million).
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How we determined it	1% of net assets.
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Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.
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We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £162,000 (2014: £124,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going Concern

Under the Listing Rules we are required to review the Directors' Statement, set out on page 24, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' Statement, the Directors have concluded that it is appropriate to prepare the Company's financial statements using the going concern basis of accounting. The going concern basis presumes that the Company has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Company's ability to continue as a going concern.

Other Required Reporting

Consistency of Other Information

Companies Act 2006 opinion

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) Reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- | | |
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| information in the Annual Report is: | <i>We have no exceptions to report arising from this responsibility.</i> |
| — materially inconsistent with the information in the audited financial statements; or | |
| — apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or | |
| — otherwise misleading. | |

- | | |
|--|--|
| the statement given by the Directors on page 29, in accordance with provision C.1.1 of the UK Corporate Governance Code ('the Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy is materially inconsistent with our knowledge of the Company acquired in the course of performing our audit. | <i>We have no exceptions to report arising from this responsibility.</i> |
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|---|--|
| the section of the Annual Report on pages 25 and 26, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. | <i>We have no exceptions to report arising from this responsibility.</i> |
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Adequacy of Accounting Records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' Remuneration

Directors' Remuneration Report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 Reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the Financial Statements and the Audit

Our Responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an Audit of Financial Statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through assessing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Catrin Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
16 October 2015

Income Statement

For the year ended 31 August

	Notes	2015 Revenue £'000	2015 Capital £'000	2015 Total £'000	2014 Revenue £'000	2014 Capital £'000	2014 Total £'000
Gains on investments	8	–	45,071	45,071	–	18,801	18,801
Currency gains	13	–	2,700	2,700	–	3,927	3,927
Income	2	4,316	–	4,316	3,746	–	3,746
Investment management fee	3	(2,141)	–	(2,141)	(1,693)	–	(1,693)
Other administrative expenses	4	(502)	–	(502)	(386)	–	(386)
Net return before finance costs and taxation		1,673	47,771	49,444	1,667	22,728	24,395
Finance costs of borrowings	5	(1,042)	–	(1,042)	(1,004)	–	(1,004)
Net return on ordinary activities before taxation		631	47,771	48,402	663	22,728	23,391
Tax on ordinary activities	6	(432)	–	(432)	(341)	–	(341)
Net return on ordinary activities after taxation		199	47,771	47,970	322	22,728	23,050
Net return per ordinary share	7	0.28p	67.17p	67.45p	0.47p	33.45p	33.92p

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.

The accompanying notes on pages 37 to 46 are an integral part of the financial statements.

Balance Sheet

As at 31 August

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Fixed assets					
Investments held at fair value through profit or loss	8		369,568		286,275
Current assets					
Debtors	9	345		369	
Cash and cash equivalents	19	8,742		5,231	
			9,087	5,600	
Creditors					
Amounts falling due within one year	10	(16,872)		(1,428)	
Net current (liabilities)/assets			(7,785)		4,172
Total assets less current liabilities			361,783		290,447
Creditors					
Amounts falling due after more than one year	11		(38,630)		(41,733)
Net assets			323,153		248,714
Capital and reserves					
Called up share capital	12		3,756		3,467
Share premium	13		73,272		47,092
Capital redemption reserve	13		203		203
Capital reserve	13		251,739		203,968
Revenue reserve	13		(5,817)		(6,016)
Shareholders' funds			323,153		248,714
Net asset value per ordinary share					
(after deducting borrowings at fair value)	14		425.4p		353.3p
Net asset value per ordinary share					
(after deducting borrowings at par value)	14		430.2p		358.7p

The Financial Statements of The Baillie Gifford Japan Trust PLC (Company registration number SC075954) on pages 33 to 46 were approved and authorised for issue by the Board and were signed on 16 October 2015.

Nick AC Bannerman
Chairman

The accompanying notes on pages 37 to 46 are an integral part of the financial statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 August 2015

	Notes	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 September 2014		3,467	47,092	203	203,968	(6,016)	248,714
Shares issued	13	289	26,180	–	–	–	26,469
Net return on ordinary activities after taxation	13	–	–	–	47,771	199	47,970
Shareholders' funds at 31 August 2015		3,756	73,272	203	251,739	(5,817)	323,153

For the year ended 31 August 2014

		Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 September 2013		3,251	32,019	203	181,240	(6,338)	210,375
Shares issued		216	15,073	–	–	–	15,289
Net return on ordinary activities after taxation		–	–	–	22,728	322	23,050
Shareholders' funds at 31 August 2014		3,467	47,092	203	203,968	(6,016)	248,714

The accompanying notes on pages 37 to 46 are an integral part of the financial statements.

Cash Flow Statement

For the year ended 31 August

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Net cash inflow from operating activities	15		1,327		1,322
Servicing of finance					
Interest paid		(1,030)		(884)	
Net cash outflow from servicing of finance			(1,030)		(884)
Financial investment					
Acquisitions of investments		(62,854)		(52,638)	
Disposals of investments		23,906		30,201	
Exchange differences on settlement of investment transactions		(117)		(54)	
Net cash outflow from financial investment			(39,065)		(22,491)
Net cash outflow before financing			(38,768)		(22,053)
Financing					
Shares issued		26,469		15,289	
Bank loans drawn down		24,075		27,410	
Bank loans repaid		(7,921)		(16,387)	
Net cash inflow from financing			42,623		26,312
Increase in cash	16		3,855		4,259

Reconciliation of Net Cash Flow to Movement in Net Debt

For the year ended 31 August

	Notes	2015 £'000	2014 £'000
Increase in cash	16	3,855	4,259
Net cash inflow from bank loans		(16,154)	(11,023)
Exchange differences on bank loans		3,161	4,869
Exchange differences on cash		(344)	(888)
Movement in net debt in the year		(9,482)	(2,783)
Opening net debt		(36,502)	(33,719)
Closing net debt		(45,984)	(36,502)

The accompanying notes on pages 37 to 46 are an integral part of the financial statements.

Notes to the Financial Statements

1 Principal Accounting Policies

The financial statements for the year to 31 August 2015 have been prepared on the basis of the accounting policies set out below, which are unchanged from the prior year and have been applied consistently, are set out below.

(a) Basis of Accounting

All of the Company's operations are of a continuing nature and the financial statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments and derivatives, and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 will be retained.

The financial statements have been prepared in accordance with the Companies Act, applicable UK Accounting Standards and with the AIC's Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' issued in January 2009. In order to better reflect the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented.

Financial assets and financial liabilities are recognised in the Company's balance sheet when it becomes a party to the contractual provisions of the instrument.

The Directors consider the Company's functional currency to be sterling as the Company's shareholders are predominantly based in the UK and the Company is subject to the UK's regulatory environment.

(b) Investments

Purchases and sales of investments are recognised on a trade date basis.

Investments in securities are designated as valued at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value. The fair value of listed investments is the last traded price which is equivalent to the bid price on Japanese markets. The fair value of unlisted investments is determined by the Directors based upon latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate. Changes in the fair value of investments and gains and losses on disposal are recognised as capital items in the Income Statement.

(c) Cash and Short Term Deposits

Cash includes cash in hand and deposits repayable on demand. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if they have a maturity or period of notice of not more than one working day.

(d) Income

- (i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.
- (ii) Interest from fixed interest securities is recognised on an effective yield basis.
- (iii) Overseas dividends include withholding tax deducted at source.
- (iv) Interest receivable on bank deposits is recognised on an accruals basis.
- (v) If scrip is taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue account. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised as capital.

(e) Expenses

All expenses are accounted for on an accruals basis and are charged to the revenue account except where they relate directly to the acquisition or disposal of an investment, in which case they are added to the cost of the investment or deducted from the sale proceeds. Expenses directly relating to the issuance of shares are deducted from the proceeds of such issuance.

(f) Finance Costs

Long term borrowings are carried in the balance sheet at amortised cost, representing the cumulative amount of net proceeds after issue, plus accrued finance costs. The finance costs of such borrowings are allocated to the revenue account at a constant rate on the carrying amount.

Gains and losses on the repurchase or early settlement of debt are wholly charged to capital.

(g) Deferred Taxation

Deferred taxation is provided on all timing differences which have originated but not reversed by the balance sheet date, calculated on a non-discounted basis at the tax rates expected to apply when the timing differences reverse, based on what has been enacted or substantially enacted, relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

(h) Foreign Currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Monetary assets, liabilities and equity investments held at fair value in foreign currencies are translated at the closing rates of exchange at the balance sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement and classified as a revenue or capital item as appropriate.

(i) Capital Reserve

Gains and losses on disposal of investments, changes in the fair value of investments held, exchange differences of a capital nature and the amount by which other assets and liabilities valued at fair value differ from their book cost are dealt with in this reserve. Purchases of the Company's own shares for cancellation are also funded from this reserve.

2 Income

	2015 £'000	2014 £'000
Income from investments		
Overseas dividends	4,316	3,746
Total income	4,316	3,746
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	4,316	3,746
Total income	4,316	3,746

3 Investment Management Fee – all charged to revenue

	2015 £'000	2014 £'000
Investment management fee	2,141	1,693

Details of the Investment Management Agreement are set out on page 19. The annual management fee is 0.95% on the first £50m of net assets and 0.65% on the remaining net assets, calculated and payable quarterly.

4 Other Administrative Expenses – all charged to revenue

	2015 £'000	2014 £'000
General administrative expenses	356	249
Directors' fees (see Directors' Remuneration Report on page 27)	126	118
Auditor's remuneration – statutory audit of Company's annual financial statements	20	19
	502	386

There were no fees paid to the Auditor during the year in respect of non-audit services (2014 – nil).

5 Finance Costs of Borrowings

	2015 £'000	2014 £'000
Bank loans	1,042	1,004

6 Tax on Ordinary Activities

	2015 £'000	2014 £'000
Analysis of charge in year		
Overseas taxation	432	341
Factors affecting tax charge for year		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 20.58% (2014: 22.16%)		
The differences are explained below:		
Net return on ordinary activities before taxation	48,402	23,391
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.58% (2014: 22.16%)	9,961	5,184
Effects of:		
Capital returns not taxable	(9,831)	(5,037)
Income not taxable	(889)	(797)
Overseas withholding tax	432	341
Taxable losses in year not utilised	759	650
Current tax charge for the year	432	341

As an investment trust, the Company's capital gains are not taxable.

The standard rate of Corporation Tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profits for the year to 31 August 2015 are taxed at an effective rate of 20.58%.

Factors that may affect future tax charges

At 31 August 2015 the Company had a potential deferred tax asset of £4,732,000 (2014 – £3,995,000) on taxable losses which is available to be carried forward and offset against future taxable profits. A deferred tax asset has not been recognised on these losses as it is considered unlikely that the Company will make taxable revenue profits in the future and it is not liable to tax on its capital gains. The potential deferred tax asset has been calculated using a corporation tax rate of 20% (2014 – 20%).

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

7 Net Return per Ordinary Share

	2015 Revenue	2015 Capital	2015 Total	2014 Revenue	2014 Capital	2014 Total
Net return on ordinary activities after taxation	0.28p	67.17p	67.45p	0.47p	33.45p	33.92p

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £199,000 (2014 – £322,000), and on 71,115,407 (2014 – 67,942,092) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

Capital return per ordinary share is based on the net capital return for the financial year of £47,771,000 (2014 – £22,728,000), and on 71,115,407 (2014 – 67,942,092) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

There are no dilutive or potentially dilutive shares in issue.

8 Fixed Assets – Investments

	2015 £'000	2014 £'000
Financial assets at fair value through profit or loss		
Listed overseas – equity investments	369,568	286,275
Total investments in financial assets at fair value through profit or loss	369,568	286,275

	Listed equities £'000
Cost of investments held at 1 September 2014	182,643
Investment holding gains at 1 September 2014	103,632
Fair value of investments held at 1 September 2014	286,275
Movements in year:	
Purchases at cost	62,065
Sales – proceeds	(23,843)
– gains on sales	8,487
Changes in investment holding gains	36,584
Fair value of investments held at 31 August 2015	369,568
Cost of investments held at 31 August 2015	229,352
Investment holding gains at 31 August 2015	140,216
Fair value of investments held at 31 August 2015	369,568

The purchases and sales proceeds figures above include transaction costs of £30,000 (2014 – £32,000) and £12,000 (2014 – £19,000) respectively.

	2015 £'000	2014 £'000
Net gains on investments designated at fair value through profit or loss on initial recognition		
Gains on sales	8,487	7,538
Changes in investment holding gains	36,584	11,263
	45,071	18,801

Of the gains on sales during the year of £8,487,000 (2014 – £7,538,000), a net gain of £4,215,000 (2014 – net gain of £7,511,000) was included in the investment holding gains at the previous year end.

9 Debtors

	2015 £'000	2014 £'000
Income accrued and prepayments	322	298
Sales for subsequent settlement	–	63
Other debtors	23	8
	345	369

None of the above debtors are financial assets designated at fair value through profit or loss. The carrying amount of debtors is a reasonable approximation of fair value.

10 Creditors – amounts falling due within one year

	2015 £'000	2014 £'000
Purchases for subsequent settlement	–	789
Bank loans (see note 11)	16,096	–
Other creditors and accruals	776	639
	16,872	1,428

None of the above creditors are financial liabilities designated at fair value through profit or loss. Included in other creditors is £563,000 (2014 – £442,000) in respect of the investment management fee.

11 Creditors – amounts falling due after more than one year

	2015 £'000	2014 £'000
Bank loans	38,630	41,733

Borrowing facilities

At 31 August 2015:

- A 7 year fixed rate loan facility with ING Bank N.V. for ¥7,200 million
- A 3 year revolving loan facility with Scotiabank Europe plc for ¥1,500 million
- A 5 year revolving loan facility with Scotiabank Europe plc for ¥3,000 million

At 31 August 2015 and 31 August 2014 the ING Bank N.V. drawings were as follows:

- ¥2,600 million at 2.43%
- ¥900 million at 2.45%
- ¥900 million at 2.46%
- ¥1,800 million at 2.48%
- ¥1,000 million at 2.50%

At 31 August 2015 the Scotiabank Europe plc drawings were as follows:

- ¥1,500 million at 1.06466% for the six month period 1 June 2015 to 1 December 2015
- ¥1,500 million at 1.18337% for the six month period 28 August 2015 to 29 February 2016

The main covenants relating to the above loan are:

- (i) Total borrowings shall not exceed 40% of the Company's net asset value; and
- (ii) The Company's minimum net asset value shall be £115 million.

There were no breaches of loan covenants during the year.

During the year the Company entered into two revolving loan facilities with Scotiabank Europe plc. At 31 August 2015, the 3 year ¥1,500 million facility was fully drawn down and under the 5 year ¥3,000 million facility, ¥1,500 million was drawn down. The 3 year facility expires in November 2017 and the 5 year facility in August 2020.

12 Called Up Share Capital

	2015 Number	2015 £'000	2014 Number	2014 £'000
Allotted, called up and fully paid ordinary shares of 5p each	75,121,750	3,756	69,331,750	3,467

At 31 August 2015 the Company had authority to buy back 10,415,314 shares. No shares were bought back during the year. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve. During the year, 5,790,000 (2014 – 4,300,000) shares were issued at a premium to net asset value raising proceeds of £26,469,000 (2014 – £15,289,000).

13 Capital and Reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 September 2014	3,467	47,092	203	203,968	(6,016)	248,714
Shares issued	289	26,180	–	–	–	26,469
Gains on investments	–	–	–	8,487	–	8,487
Changes in investment holding gains	–	–	–	36,584	–	36,584
Exchange differences on bank loans	–	–	–	3,161	–	3,161
Exchange differences on settlement of investment transactions	–	–	–	(117)	–	(117)
Other exchange differences	–	–	–	(344)	–	(344)
Revenue return on ordinary activities after taxation	–	–	–	–	199	199
At 31 August 2015	3,756	73,272	203	251,739	(5,817)	323,153

The capital reserve includes investment holding gains of £140,216,000 (2014 – £103,632,000) as disclosed in note 8.

14 Net Asset Value per Ordinary Share

The net asset value per ordinary share and the net assets attributable to the ordinary shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	2015	2014	2015 £'000	2014 £'000
Ordinary shares of 5p	430.2p	358.7p	323,153	248,714

Net asset value per ordinary share is based on the net assets as shown above and 75,121,750 (2014 – 69,331,750) ordinary shares, being the number of ordinary shares in issue at the year end.

Deducting borrowings at fair value would have the effect of reducing net asset value per ordinary share from 430.2p to 425.4p. Taking the market price of the ordinary shares at 31 August 2015 of 444.8p, this would have given a premium to net asset value of 4.6% as against 3.4% on the basis of deducting borrowings at par. At 31 August 2014 the net asset value per share after deducting borrowings at fair value was 353.3p. Taking the market price of the ordinary shares at 31 August 2014 of 352.3p, this would have given a discount to net asset value of 0.3% as against 1.8% on the basis of deducting borrowings at par.

15 Reconciliation of Net Return before Finance Costs and Taxation to Net Cash Inflow from Operating Activities

	2015 £'000	2014 £'000
Net return before finance costs and taxation	49,444	24,395
Gains on investments	(45,071)	(18,801)
Currency gains	(2,700)	(3,927)
Increase in accrued income	(26)	(26)
Increase in other debtors	(15)	(5)
Increase in creditors	124	16
Overseas tax suffered	(429)	(330)
Net cash inflow from operating activities	1,327	1,322

16 Analysis of Change in Net Debt

	At 1 September 2014 £'000	Cash flows £'000	Exchange movement £'000	At 31 August 2015 £'000
Cash and cash equivalents	5,231	3,855	(344)	8,742
Loans due within one year	–	(16,154)	58	(16,096)
Loans due after one year	(41,733)	–	3,103	(38,630)
	(36,502)	(12,299)	2,817	(45,984)

17 Contingent Liabilities, Guarantees and Financial Commitments

There were no contingent liabilities, guarantees or financial commitments at either year end.

18 Related Party Transactions

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 27. No Director has a contract of service with the Company.

19 Financial Instruments

The Company invests in medium to smaller sized Japanese companies and makes other investments so as to achieve its investment objective of long term capital growth. The Company borrows money when the Board and Managers have sufficient conviction that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests and could result in a reduction in the Company's net assets.

These risks are categorised here as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposures to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise the short term volatility.

The risk management policies and procedures outlined in this note have not changed substantially from the previous accounting period.

Market Risk

The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The Board of Directors reviews and agrees policies for managing these risks and the Company's Investment Manager assesses the exposure to market risk when making individual investment decisions as well as monitoring the overall level of market risk across the investment portfolio on an ongoing basis. Details of the Company's investment portfolio are shown on pages 16 and 17.

(i) Currency Risk

The Company's assets, liabilities and income are principally denominated in yen. The Company's functional currency and that in which it reports its results is sterling. Consequently, movements in the yen/sterling exchange rate will affect the sterling value of those items.

The Investment Manager monitors the Company's yen exposure (and any other overseas currency exposure) and reports to the Board on a regular basis. The Investment Manager assesses the risk to the Company of the overseas currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. However, the currency in which a company's share price is quoted is not necessarily the one in which it earns its profits. The movement in exchange rates on overseas earnings may have a more significant impact upon a company's valuation than a simple translation of the currency in which the share price of the company is quoted.

Yen borrowings are used periodically to limit the Company's exposure to anticipated future changes in the yen/sterling exchange rate which might otherwise adversely affect the value of the portfolio of investments. The Company has the authority to use forward currency contracts to limit the Company's exposure if it so chooses to anticipated future changes in exchange rates so that the currency risks entailed in holding the assets are mainly eliminated. No forward currency contracts have been used in the current or prior year.

19 Financial Instruments (continued)

Exposure to currency risk through asset allocation, which is calculated by reference to the currency in which the asset or liability is quoted, is shown below.

At 31 August 2015	Investments £'000	Cash and cash equivalents £'000	Bank loans £'000	Other debtors and creditors* £'000	Net exposure £'000
Yen	369,568	8,691	(54,726)	142	323,675
Total exposure to currency risk	369,568	8,691	(54,726)	142	323,675
Sterling	–	51	–	(573)	(522)
	369,568	8,742	(54,726)	(431)	323,153

* Includes net non-monetary assets of £27,000.

At 31 August 2014	Investments £'000	Cash and cash equivalents £'000	Bank loans £'000	Other debtors and creditors* £'000	Net exposure £'000
Yen	286,275	5,238	(41,733)	(595)	249,185
Total exposure to currency risk	286,275	5,238	(41,733)	(595)	249,185
Sterling	–	(7)	–	(464)	(471)
	286,275	5,231	(41,733)	(1,059)	248,714

* Includes net non-monetary assets of £26,000.

Currency Risk Sensitivity

At 31 August 2015, if sterling had strengthened by 10% against the yen, with all other variables held constant, total net assets and net return on ordinary activities after taxation would have decreased by £35,906,000 (2014 – £27,687,000). If there had been a 10% weakening of sterling against the yen, with all other variables held constant, total net assets and net return on ordinary activities after taxation would have increased by £29,377,000 (2014 – £22,653,000).

(ii) Interest Rate Risk

Interest rate movements may affect the level of income receivable on cash deposits. They may also impact upon the market value of the Company's investments as the effect of interest rate movements upon the earnings of a company may have a significant impact upon the valuation of that company's equity.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and when entering borrowing agreements.

The Board reviews on a regular basis the amount of investments in cash and the income receivable on cash deposits.

The Company finances part of its activities through borrowings at approved levels. The amount of such borrowings and the approved levels are monitored and reviewed regularly by the Board.

The interest rate risk profile of the Company's interest bearing financial assets and liabilities at 31 August 2015 is shown below.

Financial Assets

Cash deposits generally comprise overnight call or short term money market deposits and earn interest at floating rates based on prevailing bank base rates.

Financial Liabilities

The interest rate risk profile of the Company's loans at 31 August was:

	2015 Book value £'000	2015 Weighted average interest rate	2015 Weighted average period until maturity	2014 Book value £'000	2014 Weighted average interest rate	2014 Weighted average period until maturity
Bank loans:						
Yen denominated	54,726	2.1%	43 months	41,733	2.5%	72 months

Interest Rate Risk Sensitivity

An increase of 100 basis points in interest rates, with all other variables held constant, would have decreased the Company's total net assets and total return on ordinary activities for the year ended 31 August 2015 by £161,000 (2014 – nil). This is mainly due to the Company's exposure to interest rates on its revolving bank loans. A decrease of 100 basis points would have had an equal but opposite effect. The Company does not hold bonds.

19 Financial Instruments (continued)

(iii) Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets. The Company's exposure to changes in market prices relates to the fixed asset investments as disclosed in note 8.

The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies. The portfolio does not seek to reproduce the index, investments are selected based upon the merit of individual companies and therefore performance may well diverge from the comparative index.

Other Price Risk Sensitivity

A full list of the Company's investments is shown on pages 16 and 17. In addition, a list of the 20 largest holdings together with various analyses of the portfolio by industrial sector and exchange listing are shown on pages 14 and 15.

114.4% (2014 – 115.1%) of the Company's net assets are invested in Japanese quoted equities. A 10% increase in quoted equity valuations at 31 August 2015 would have increased total net assets and net return on ordinary activities after taxation by £36,957,000 (2014 – £28,628,000). A decrease of 10% would have had an equal but opposite effect.

Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not significant as the majority of the Company's assets are in investments that are readily realisable.

The Board provides guidance to the Investment Managers as to the maximum exposure to any one holding (see Investment Policy on page 6).

The Company has the power to take out borrowings, which give it access to additional funding when required. The Company's borrowing facilities are detailed in note 11.

The maturity profile of the Company's financial liabilities at 31 August was:

	2015 £'000	2014 £'000
In less than one year	16,096	–
In more than two years, but not more than five years	38,630	–
In more than five years	–	41,733
	54,726	41,733

Credit Risk

This is the risk that a failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss. This risk is managed as follows:

- where the Investment Manager makes an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question;
- the Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Depositary has delegated the custody function to Bank of New York Mellon SA/NV London Branch. Bankruptcy or insolvency of the custodian may cause the Company's rights with respect to securities held by the custodian to be delayed. The Investment Managers monitor the Company's risk by reviewing the custodian's internal control reports and reporting their findings to the Board;
- investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Investment Manager. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed;
- the creditworthiness of the counterparty to transactions involving derivatives, structured notes and other arrangements, wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, are subject to rigorous assessment by the Investment Manager; and
- cash is only held at banks that are regularly reviewed by the Managers.

19 Financial Instruments (continued)

Credit Risk Exposure

The exposure to credit risk at 31 August was:

	2015 £'000	2014 £'000
Cash and cash equivalents	8,742	5,231
Debtors	318	343
	9,060	5,574

None of the Company's financial assets are past due or impaired.

Fair Value of Financial Assets and Financial Liabilities

The Company's investments are stated at fair value and the Directors are of the opinion that the reported values of the Company's other financial assets and liabilities approximate to fair value with the exception of the long term borrowings which are stated at amortised cost. The fair value of borrowings is shown below.

	2015 Book value £'000	2015 Fair * value £'000	2014 Book value £'000	2014 Fair * value £'000
Yen bank loans	54,726	58,336	41,733	45,496

* The fair value of each bank loan is calculated with reference to a Japanese government bond of comparable yield and maturity.

Capital Management

The Company does not have any externally imposed capital requirements other than the loan covenants detailed in note 11 on page 41. The capital of the Company is the ordinary share capital as detailed in note 12. It is managed in accordance with its investment policy in pursuit of its investment objective, both of which are detailed on page 6, and shares may be repurchased or issued as explained on page 20.

Fair Value of Financial Instruments

Fair values are measured using the following fair value hierarchy:

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

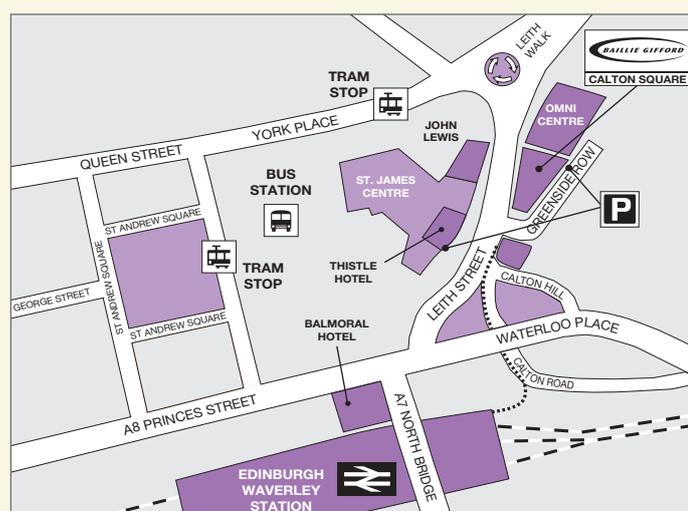
Level 2 – reflects financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables includes only data from observable markets.

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.

The valuation techniques used by the Company are explained in the accounting policies on page 37.

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.

Notice of Annual General Meeting



The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Monday, 30 November 2015 at 12 noon.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 917 2112.

Baillie Gifford may record your call.



By Rail:

Edinburgh Waverley – approximately a 5 minute walk away



By Bus:

Lothian Buses local services include:
1, 5, 7, 8, 10, 12, 14, 15, 15A, 16, 22, 25, 34



By Tram:

Stops at St Andrew Square and York Place

..... Access to Waverley Train Station on foot

Notice is hereby given that the thirty fourth Annual General Meeting of The Baillie Gifford Japan Trust PLC will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Monday, 30 November 2015 at 12 noon for the following purposes.

Ordinary Business

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions.

1. To receive and adopt the Financial Statements of the Company for the year to 31 August 2015 with the Reports of the Directors and of the Independent Auditor thereon.
2. To approve the Directors' Annual Report on Remuneration for the year to 31 August 2015.
3. To re-elect Mr NAC Bannerman as a Director.
4. To re-elect Mr PS Dimond as a Director.
5. To reappoint PricewaterhouseCoopers LLP as Independent Auditor of the Company.
6. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
7. That, pursuant to article 165 of the Articles of Association of the Company, this meeting hereby approves the continuance of the Company until the Annual General Meeting of the Company held in respect of the year to 31 August 2016.
8. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ('Securities') provided that such authority shall be limited to the allotment of shares and the grant of rights in respect of shares with an aggregate nominal value of up to £1,263,695.80, such authority to expire at the conclusion of the next Annual General Meeting of the

Company after the passing of this resolution or on the expiry of 15 months from the passing of this resolution, whichever is the earlier, unless previously revoked, varied or extended by the Company in a general meeting, save that the Company may at any time prior to the expiry of this authority make an offer or enter into an agreement which would or might require Securities to be allotted or granted after the expiry of such authority and the Directors shall be entitled to allot or grant Securities in pursuance of such an offer or agreement as if such authority had not expired.

To consider and, if thought fit, to pass Resolutions 9 and 10 as Special Resolutions.

9. That, subject to the passing of Resolution 8 above, and in substitution for any existing power but without prejudice to the exercise of any such power prior to the date hereof, the Directors of the Company be and they are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the 'Act'), to allot equity securities (as defined in Section 560 of the Act), including the grant of rights to subscribe for, or to convert securities into ordinary shares held by the Company as treasury shares (as defined in Section 724 of the Act) for cash pursuant to the authority given by Resolution 8 above as if Section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this power:
 - (a) expires at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or on the expiry of 15 months from the passing of this Resolution, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and
 - (b) shall be limited to the allotment of equity securities up to an aggregate nominal value of £379,108.75, being approximately 10% of the nominal value of the issued share capital of the Company, as at 15 October 2015.

Shareholder Information

10. That, in substitution for any existing authority but without prejudice to the exercise of any such authority prior to the date hereof, the Company be and is hereby generally and unconditionally authorised, pursuant to and in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693(4) of the Act) of fully paid ordinary shares of 5 pence each in the capital of the Company ('ordinary shares') (either for retention as treasury shares for future reissue, resale, transfer or cancellation), provided that:
- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 11,365,680, or, if less, the number representing approximately 14.99% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution;
 - (b) the minimum price (excluding expenses) which may be paid for each ordinary share is 5 pence;
 - (c) the maximum price (excluding expenses) which may be paid for each ordinary share shall not be more than the higher of:
 - (i) 5 per cent above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
 - (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange; and
 - (d) unless previously varied, revoked or renewed by the Company in a general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in respect of the year ending 31 August 2016, save that the Company may, prior to such expiry, enter into a contract to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

By Order of the Board
Baillie Gifford & Co Limited
Managers and Secretaries
27 October 2015

Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the circular and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY or www.eproxyappointment.com no later than 2 days (excluding non-working days) before the time of the meeting or any adjourned meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 2 days (excluding non-working days) before the time of the meeting or any adjournment. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

5. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Shareholders participating in the Baillie Gifford Investment Trust Share Plan, Children's Savings Plan or the Baillie Gifford Investment Trust ISA who wish to vote and/or attend the meeting must complete and return the enclosed reply-paid Form of Direction.
9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and Section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 2 days (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
10. Any person to whom this notice is sent who is a person nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
11. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
12. The members of the Company may require the Company to publish, on its website, (without payment) a statement (which is also passed to the auditor) setting out any matter relating to the audit of the Company's financial statements, including the auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5% of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN.
13. Information regarding the Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at www.japantrustplc.co.uk.
14. Members have the right to ask questions at the meeting in accordance with Section 319A of the Companies Act 2006.
15. As at 15 October 2015 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 75,821,750 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 15 October 2015 were 75,821,750 votes.
16. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his/her proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
17. No Director has a contract of service with the Company.

Further Shareholder Information

Baillie Gifford Japan is an investment trust. Investment trusts offer investors the following:

- participation in a diversified portfolio of shares;
- constant supervision by experienced professional managers; and
- the Company is free from capital gains tax on capital profits realised within its portfolio, although investors are still liable for capital gains tax on profits when selling their investment.

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles (see page 51 for details). If you are interested in investing directly in Baillie Gifford Japan, you can do so online. There are a number of companies offering real time online dealing services.

Sources of Further Information on the Company

The price of shares is quoted daily in the Financial Times and can also be found on the Company's page of the Managers' website at www.japantrustplc.co.uk, Trustnet at www.trustnet.co.uk and on other financial websites. Monthly factsheets are also available on the Baillie Gifford website. These are available from Baillie Gifford on request.

Baillie Gifford Japan Identifiers

ISIN GB0000485838
Sedol 0048583
Ticker BGFD

The ordinary shares of the Company are listed on the London Stock Exchange and their price is shown in the Financial Times and The Scotsman under 'Investment Companies'.

Key Dates

The Annual Report and Financial Statements are normally issued in October and the AGM is normally held in November or December.

Capital Gains Tax

The cost for capital gains taxation purposes to shareholders who subscribed for ordinary shares (with warrants attached) is apportioned between the ordinary shares and the warrants on the following basis:

Cost of each ordinary share	96.548p
Cost of fraction for warrant	3.452p
	<u>100.000p</u>

The market value of the ordinary shares on 31 March 1982 was 15.4p. The market values on 20 November 1991 (first day of dealing of new warrants) were as follows:

Ordinary shares	120p
Warrants	26p

The above cost and market value figures have been restated for the five for one share split in November 2000.

Share Register Enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0370 889 3221.

This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

- hear the latest share price;
- confirm your current share holding balance; and
- order Change of Address and Stock Transfer forms.

You can also check your holding on the Registrars' website at www.investorcentre.co.uk. They also offer a free, secure share management website service which allows you to:

- view your share portfolio and see the latest market price of your shares;
- calculate the total market price of each shareholding;
- view price histories and trading graphs;
- change address details; and
- use online dealing services.

To take advantage of this service, please log in at www.investorcentre.co.uk and enter your Shareholder Reference Number and Company Code (this information can be found on your share certificate).

Electronic Proxy Voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at www.eproxyappointment.com.

If you have any questions about this service please contact Computershare on 0370 889 3221.

CREST Proxy Voting

If you are a user of the CREST system (including a CREST Personal Member), you may appoint one or more proxies to give an instruction to a proxy by having an appropriate CREST message transmitted. For further information please refer to the CREST Manual.

Analysis of Shareholders at 31 August

	2015 Number of shares held	2015 %	2014 Number of shares held	2014 %
Institutions	19,570,532	26.1	20,383,304	29.4
Intermediaries/ Retail Savings Platforms	49,745,434	66.2	43,555,590	62.8
Individuals	2,857,409	3.8	2,624,834	3.8
Baillie Gifford Share Plans/ISA	2,787,497	3.7	2,691,390	3.9
Marketmakers	160,878	0.2	76,632	0.1
	75,121,750	100.0	69,331,750	100.0

These financial statements have been approved by the Directors of The Baillie Gifford Japan Trust PLC. Baillie Gifford Savings Management Limited ('BGSM') is the ISA Manager and 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. The staff of Baillie Gifford and Baillie Gifford Japan's Directors may hold shares in Baillie Gifford Japan and may buy or sell such shares from time to time.

Cost-effective Ways to Buy and Hold Shares in Baillie Gifford Japan Trust

Baillie Gifford Savings Management Limited offers a number of plans that enable you to buy and hold shares in Baillie Gifford Japan cost-efficiently. Purchases and sales are normally subject to a dealing price spread and Government stamp duty of 0.5% is payable on purchases.

The Baillie Gifford Investment Trust Share Plan

- No initial charge
- No annual wrapper charge
- Normally cheaper than dealing through a stockbroker
- Invest a lump sum from £250 or monthly from just £30
- No maximum investment limits
- Stop and start saving at any time with no charge
- Twice weekly dealing (usually Tuesday and Friday)
- A withdrawal charge of just £22

The Baillie Gifford Investment Trust ISA

- Tax-efficient investment
- No set-up charge
- Flat rate annual management charge currently of £32.50 + VAT
- Lump sum investment from £2,000 currently up to a maximum of £15,240 each tax year
- Save monthly from £100
- A withdrawal charge of just £22

ISA Transfers

- Transfer existing ISAs from other plan managers into the Baillie Gifford ISA
- Consolidate your plans into a managed global investment
- Minimum transfer value £2,000

The Baillie Gifford Children's Savings Plan

- An excellent way for parents, grandparents or other adults to invest for a child
- No initial charge
- No annual wrapper charge
- The option of a designated account or a bare trust in favour of the child
- Flexible investment options: lump sum from £100 or monthly saving from just £25
- A withdrawal charge of just £22

Online Management Service

You can also 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 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;

- switch between investment trusts, except where there is more than one holder;
- sell part or all of your holdings, 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.

Further information

If you would like more information on any of the plans described, please contact the Baillie Gifford Client Relations Team. (See contact details on page 53).

Risks

- Past performance is not a guide to future performance.
- Baillie Gifford Japan is a listed UK company. As a result, the value of the 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'). 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.
- 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.

Shareholder Information

- The aim of this Trust is to achieve capital growth and it is unlikely that the Company will provide a steady, or indeed any, income.
- 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.

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

Further details of the risks associated with investing in the Company can be found at www.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.

Communicating with Shareholders



Trust Magazine

Trust Magazine

Trust is the Baillie Gifford investment trust magazine which is published three times a year. It provides an insight to our investment approach by including interviews with our fund managers, as well as containing investment trust news, investment features and articles about the trusts managed by Baillie Gifford, including Baillie Gifford Japan. *Trust* plays an important role in helping to explain our products so that readers can really understand them. For a copy of *Trust*, please contact the Baillie Gifford Client Relations Team (see contact details opposite).

An online version of *Trust* can be found at www.bgtrustonline.com.

Baillie Gifford Japan on the Web

Up-to-date information about Baillie Gifford Japan, including a monthly commentary, recent portfolio information and performance figures, can be found on the Company's page of the Managers' website at www.japantrustplc.co.uk.

You can also find a brief history of Baillie Gifford Japan, an explanation of the effects of gearing and a flexible performance reporting tool.

Suggestions and Questions

Any suggestions on how communications with shareholders can be improved are welcomed, so please contact the Baillie Gifford Client Relations Team and give them your suggestions. They will also be very happy to answer questions that you may have, either about Baillie Gifford Japan or the plans described on page 51.



A Baillie Gifford Japan Trust web page at www.japantrustplc.co.uk

Literature in Alternative Formats

It is possible to provide copies of the literature in alternative formats, such as large print or on audio tape. Please contact the Baillie Gifford Client Relations Team for more information.

Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone, e-mail, fax or post:

Telephone: 0800 917 2112

Your call may be recorded for training or monitoring purposes.

E-mail: trustenquiries@bailliegifford.com

Website: www.bailliegifford.com

Fax: 0131 275 3955

Client Relations Team

Baillie Gifford Savings Management Limited
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

Please note that Baillie Gifford is not permitted to give financial advice. If you would like advice or if you have any questions about the suitability of any of these plans for you, please ask an authorised intermediary.

Alternative Investment Fund Managers (AIFM) Directive

In accordance with the AIFM Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors. In accordance with the Directive, the AIFM remuneration policy is available from Baillie Gifford & Co Limited on request (see contact details on the back cover) and the numerical remuneration disclosures in respect of the AIFM's first relevant reporting period (year ended 31 March 2016) will be made available in due course.

The Company's maximum and actual leverage (see Glossary of Terms below) levels at 31 August 2015 are shown below:

Leverage

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.17:1	1.17:1

Glossary of Terms

Total Assets

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

Net Asset Value

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 at Fair

Borrowings are valued at an estimate of their market worth.

Net Asset Value at Book

Borrowings are valued at adjusted net issue proceeds.

Discount/Premium

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

Total Return

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes up.

Ongoing Charges

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with debt at fair value).

Gearing

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. The level of gearing can be adjusted through the use of derivatives which affect the sensitivity of the value of the portfolio to changes in the level of 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 as a percentage of shareholders' funds.

Leverage

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

Active Share

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.

Directors

Chairman:
Nick AC Bannerman

Martin Barrow CBE
Paul S Dimond CMG
J Keith R Falconer
Martin H Paling

Managers, Secretaries and Registered Office

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

Registrar

Computershare Investor
Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Tel: 0370 889 3221

Brokers

Canaccord Genuity Limited
9th Floor
88 Wood Street
London
EC2V 7QR

Independent Auditor

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Level 4
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

Depository

BNY Mellon Trust & Depository
(UK) Limited
BNY Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA

Company Details

www.japantrustplc.co.uk
Company Registration
No. SC075954
ISIN GB0000485838
Sedol 0048583
Ticker BGFD

Further Information

Client Relations Team
Baillie Gifford Savings
Management Limited
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