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The Baillie Gifford Japan Trust PLC

Annual Report and Financial Statements
31 August 2012

Contents

Illustration: Hakuro-Jo (White Egret) Castle at Himeji

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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.

Net asset value per share (after deducting borrowings at fair value)	+0.8%
Share price	+2.4%
Benchmark	-2.7%

ompany Summary

aillie Gifford Japan's objective is to pursue long term capital growth principally rough investment in medium to smaller sized Japanese companies.

vestment Policy

e Baillie Gifford Japan Trust PLC aims to achieve long term capital owth principally through investment in medium to smaller sized panese companies which are believed to have above average ospects for growth, although it invests in larger companies when nsidered appropriate.

rther details of the investment policy are given in the Directors' port.

enchmark

e portfolio benchmark against which performance is measured is e TOPIX total return (in sterling terms).

lanagement Details

aillie Gifford & Co are appointed as investment managers and ecretaries to the Company. The management contract can be rminated on six months' notice.

apital Structure

t the year end the Company's share capital consisted of 1,935,000 fully paid ordinary shares of 5p each. The Company urrently has powers to buy back shares at a discount to net asset alue per share (NAV) for cancellation or retention as treasury shares s well as to issue shares/sell treasury shares at a premium to NAV.

Management Fee

Baillie Gifford & Co's annual remuneration is 1.0% of the net assets of the Company attributable to its shareholders, calculated on a quarterly basis.

Savings Vehicles

Baillie Gifford Japan shares can be held through a variety of savings vehicles (see page 47 for details).

AIC

The Company is a member of the Association of Investment Companies.

Continuance Vote

The Company's Articles of Association give shareholders the right to vote annually at the Annual General Meeting on whether to continue the Company.

Notes

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 Services Authority.

)ne Year Summary

	31 August 2012	31 August 2011	% change
tal assets (before deduction of bank loans)	£163.1m	£162.2m	
nk loans	£28.5m	£28.5m	
areholders' funds	£134.6m	£133.7m	
et asset value per share (after deducting borrowings at fair value)	216.9p	215.2p	0.8
et asset value per share (after deducting borrowings at par value)	217.3p	215.9p	0.6
hare price	197.0p	192.4p	2.4
)PIX total return (in sterling terms)			(2.7)
en/sterling exchange rate	124.4	124.5	0.1
evenue earnings per ordinary share	1.25p	0.38p	
)ngoing charges	1.20%	1.27%	
iscount (borrowings at fair value)	9.2%	10.6%	
iscount (borrowings at par value)	9.3%	10.9%	

ear to 31 August	2012	2012	2011	2011
ear's high and low	High	Low	High	Low
Jet asset value per share (after deducting borrowings at fair value)	228.7p	200.3p	237.5p	180.6p
Jet asset value per share (after deducting borrowings at par value)	229.3p	201.0p	237.6p	181.3p
hare price	209.5p	178.5p	214.5p	153.8p
)iscount (borrowings at fair value)	5.6%	13.8%	3.6%	18.5%
)iscount (borrowings at par value)	5.4%	13.4%	3.9%	18.6%

	31 August 2012	31 August 2011
Return per ordinary share		
Revenue	1.25p	0.38p
Capital	0.17p	27.99p
Total	**1.42p**	**28.37p**

One Year Performance

(figures rebased to 100 at 31 August 2011)

Past performance is not a guide to future performance.

ive Year Summary

ie following charts indicate how an investment in Baillie Gifford Japan has
erformed relative to its benchmark and its underlying net asset value over the five
ar period to 31 August 2012.

'ear Performance
ures rebased to 100 at 31 August 2007)

Premium/(Discount) to Net Asset Value
(figures plotted on a monthly basis)

nnual Change in Net Asset Value
nd Share Price

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

'ast performance is not a guide to future performance.

* On 1 September 2009, the benchmark was changed to TOPIX total return (in sterling terms) from TOPIX capital return (in sterling terms). For the purposes of the relevant charts above, the returns on both benchmarks for their respective periods have been linked to form a single benchmark.

en Year Record

pital

August	Total assets £'000	Bank loans £'000	Shareholders' funds £'000	Net asset value per share at par * p	Share price p	Discount † %
02	92,677	14,176	78,501	124.0	105.0	15.3
03	106,088	19,506	86,582	139.8	124.0	11.3
04	124,590	20,767	103,823	167.6	151.8	9.4
05	148,613	25,515	123,098	198.8	194.8	2.0
06	175,022	27,343	147,679	238.4	234.3	1.7
07	163,115	26,945	136,170	219.9	207.8	5.5
08	138,168	26,775	111,393	179.9	160.0	11.1
09	138,775	23,481	115,294	186.2	153.3	17.7
10	143,641	27,508	116,133	187.5	153.8	18.0
11	162,218	28,511	133,707	215.9	192.4	10.9
12	**163,131**	**28,544**	**134,587**	**217.3**	**197.0**	**9.3**

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

evenue / Gearing Ratios

ear to 1 August	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary share p	Ongoing charges # %	Actual gearing ‡	Potential gearing ¶
002	808	(477)	(0.75)	1.21	114	118
003	797	(357)	(0.57)	1.09	122	123
004	945	(579)	(0.93)	1.26	109	120
005	1,398	(356)	(0.58)	1.23	120	121
006	1,728	(593)	(0.96)	1.20	115	119
007	1,844	(326)	(0.52)	1.16	118	120
008	2,195	246	0.40	1.17	115	124
009	2,422	532	0.86	1.09	115	120
010	2,605	447	0.72	1.23	118	124
011	2,664	238	0.38	1.27	118	121
012	**3,251**	**777**	**1.25**	**1.20**	**119**	**121**

Ratio of total operating costs to average shareholders' funds. 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 fixed interest securities held as a substitute for cash divided by shareholders' funds.
¶ Total assets (including all debt used for investment purposes) divided by shareholders' funds.

Cumulative Performance (taking 2002 as 100)

At 31 August	Net asset value per share (at par)	Share Price	Benchmark §
2002	100	100	100
2003	113	118	108
2004	135	145	114
2005	160	185	127
2006	192	223	146
2007	177	198	137
2008	145	152	126
2009	150	146	127
2010	151	146	127
2011	174	183	128
2012	**175**	**188**	**125**
Compound annual returns			
5 year	(0.2%)	(1.1%)	(1.9%)
10 year	5.8%	6.5%	2.3%

§ On 1 September 2009, the Company changed its benchmark to TOPIX total return from TOPIX capital return. Previously, on 1 September 2003 the benchmark changed from 75% TOPIX/25% Tokyo Stock Exchange Second Section Index to 100% 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.

hairman's Statement

er the year your Company's net asset value rose by 0.8%, outperforming the 2.7% loss of the nchmark TOPIX index (in sterling terms) total return. The market level varied by a remarkably nall amount over the year (12.1% from high point to low point) given the forces battering panese companies: namely a slowdown in China, problems in the eurozone, recovering company ofits and a strong yen.

ck selection over the year was again good but gearing detracted htly from the performance. Further performance details can be nd in the Managers' Report on pages 7 to 9.

estment income increased by a remarkable 22% over the year ecting higher dividends. Expenses decreased slightly. Overall enue gain per share was 1.25p. No dividend is payable as the enue reserve remains in deficit.

earing

et gearing amounted to 18% of net assets at the start of the year d ended the year at 19%. With the low cost of yen loans we lieve that borrowing to invest in Japanese equities is a sensible ategy. Gross borrowings remain at 3.55bn yen.

hare Capital

e Company did not exercise its share buy back powers during the ar; however, your Board believes that it is important that the ompany retains this power and so, at the Annual General eeting, it is seeking to renew this facility. The Company also has thority to issue new shares and to reissue any shares held in easury, up to 5% of the Company's issued share capital, for cash n a non-pre-emptive basis. Shares would only be issued/reissued a premium to net asset value, thereby enhancing net asset value er share for existing shareholders. The Directors will seek to utilise is authority only if they believe that it will be in the best interests of e Company to do so.

rticles of Association

tatutory rules governing investment trusts and investment companies ere amended recently. As a result of this change, there is no nger a requirement for a Company's Articles to prohibit the istribution as a dividend of surpluses arising from the realisation of nvestments. In light of the amended statutory rules, the Board no nger considers it appropriate to have such a prohibition in the rticles and therefore seeks shareholder approval at the AGM to emove it. The Board believes this will give the Company greater exibility in the long term as it will allow distributions to be made om any surplus arising from the realisation of an investment. There re no present plans to pay a dividend.

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 29 November 2012.

Last year the Company received support for its continuance from 97.4% of those voting. Your Directors are of the opinion that despite the continuing macro economic problems, there remain attractive opportunities in selected, well-run 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 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. To this end, it will put together a plan over the next year to do so.

Outlook

Japanese equities continue to sell at a discount to most other world equity markets and it is difficult to know when investors will recognise this more broadly. In the meantime Japan has many companies which are growing and are expected to continue to do so, the most attractive of which are held by the Company.

Richard A Barfield
12 October 2012

Past performance is not a guide to future performance.

irectors and Management

embers of the Board come from a broad variety of backgrounds. The Board can draw on a ery extensive pool of knowledge and experience. Baillie Gifford & Co, a leading UK investment anagement firm who act as Managers and Secretaries to the Company, have been involved in vestment management since 1908.

irectors

ichard Barfield

ichard Barfield was appointed a Director in 1997 and became hairman in 2008. He was formerly chief investment manager of e Standard Life Assurance Company. He is a director of Standard fe Investments Property Income Trust Limited and Coal Staff Trustees mited. He is also a non-executive member of the Board of the ension Protection Fund.

ick Bannerman

ick Bannerman was appointed a Director in 2003 and became hairman of the Audit Committee in 2008. He is Managing irector (Knitwear) of Johnstons of Elgin, Scotland's largest textile ompany. Established in 1797, Johnstons is a fully vertical operation pecialising in cashmere, with sales offices worldwide, including okyo. He is a Chartered Accountant.

artin Barrow CBE

artin Barrow was appointed a Director in 2001 and is the Senior ndependent Director. He has extensive knowledge of Asia, having orked there for 35 years for Jardine Matheson, including eight ears in Japan. He is an Honourary Ambassador for the Visit Japan Campaign. He is a director of Matheson & Co, the China Britain Business Council, Westonbirt School, and a special advisor to Malaysia Airlines, having been a board member there up to August 2011.

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 Intralink Limited, director of the Anglo-Netherlands Society and the Torch Trophy Trust.

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, Loebl, Stanley & Co.

All Directors are members of the Nomination and Audit Committees.

Managers and Secretaries

Baillie Gifford Japan is managed by Baillie Gifford & Co, 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 eight 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 £82 billion. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 37 partners and a staff of around 700.

The manager of Baillie Gifford Japan is Sarah Whitley, a Partner of Baillie Gifford. She is the head of a team of 7 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 is authorised and regulated by the Financial Services Authority.

lanagers' Report

rformance

e net asset value per share, with borrowings deducted at fair ue, was little changed over the year rising 0.8% to 216.9p whilst benchmark index, TOPIX on a total return basis, fell 2.7% in rling terms. The yen was also effectively flat on a year on year sis, appreciating by only 0.1% against sterling. This impression of sis however is misleading as both the market and the currency oved significantly at the beginning of 2012. TOPIX rose by 17.3% the first calendar quarter of 2012 as optimism about the global onomy increased and policy measures in Japan seemed pportive. The yen mirrored this move by depreciating sharply ring January to March and then appreciating as the concerns out the rest of the developed world re-emerged from April. Japan s again been regarded as a safe haven and the yen has engthened as global concerns have increased.

terms of the Japan Trust portfolio, the outperformance is broken own by sector in the Portfolio Performance Attribution table. though most sectors contributed positively, the information, mmunication and utilities sector was the largest contributor as our vestments in a range of internet stocks performed strongly overall, rticularly So-Net Entertainment which was bought out by parent ony at a 70% premium. Such is the undervaluation of Japanese ares that even that price could be regarded as cheap based on e sum of So-Net's own investments and business. Electrical and ectronics also contributed significantly as our stocks did better than weak industry, with new holding Endo Lighting contributing gnificantly. The worst sector was retail where one of the strong erformers from last year, Start Today, did badly as did Yamada enki as television sales fell after government subsidies ended and e digital switch-over was completed.

ortfolio

urnover remained low at below 9% as we continue to invest with a ong term outlook. We aim to buy companies based on our ssessment of their prospects in three to five years and the continuing ow level of trading in the portfolio reflects this long term stance.

Nevertheless we have bought six new holdings and sold six less promising businesses. The purchases range from a LED lighting nanufacturer, Endo Lighting, to two further internet related businesses, Kakaku, a price comparison website and Lifenet nsurance, which is selling life insurance online. The use of the internet to disrupt established industries features in our purchase of Lifenet, which is a small company growing rapidly in the mature life insurance industry, whilst Kakaku uses the ability of the internet to disseminate information. Most of our eleven internet related holdings are in the information, communication and utilities sector, but there are several defined as commerce and services. These stocks make up around 12% of the portfolio.

We also bought Sanrio the owner of the Hello Kitty character and Fuji Heavy Industries the maker of Subaru cars. Both Sanrio and Fuji Heavy are thinking about brands in a different way to the majority of Japanese companies and we believe this will boost their long term growth prospects. The final purchase was Industrial and Infrastructure Fund, a JREIT which operates in a distinctive segment of the property market. Further details of these new purchases and the largest holdings are in the Review of Investments on pages 12 to 14.

The sales we made were of several companies where developments in corporate governance were negative, notably Olympus and Accordia Golf. Others were where the industry outlook and competitive position had deteriorated such as Ricoh, Askul and Yamaha Motor. Meitec had benefited from post-crash government support however this is finishing, diminishing their immediate growth prospects and so the holding was sold.

Economy

The global economic background has become increasingly less certain as the eurozone crisis has rumbled on and China has seen slower expansion and some political uncertainty. The recovery in the US has also been muted. Perhaps surprisingly against this background the forecasts for Japan are for growth of around 2% in 2012, significantly higher than the G10 average. This is driven by domestic demand, particularly recovery from the earthquake, which is providing its own impetus. Japanese consumers are also experiencing a stronger employment situation than most developed economies and the long awaited shift to spending rather than saving by the key baby boom demographic may be emerging. Consumption figures in Japan have therefore been relatively robust, perhaps also reflecting the length of time since any property boom and the extent of adjustment. Exports though have been weak, in line with the global slowdown and the strength of the yen is putting pressure on Japanese manufacturers to shift production abroad. The Bank of Japan is responding by adopting a more explicit inflation rget despite prices still falling. If it is serious about achieving flation, more monetary easing is likely via the Asset Purchase ogramme. This was expanded at the September policy meeting as conomic uncertainty increased and the territorial dispute with China rupted. Such expansion may also weaken the yen. Some economic ecovery globally, combined with monetary action in Japan, could e very positive for economic growth in 2013, but the core xpectation is probably for growth to slow to roughly 1.5%.

olitical Developments

xpectations for Mr Noda were low when he was appointed as rime Minister just over a year ago but he has made progress in ree areas. Japan continues to consider participating in talks to join e Trans Pacific Partnership (TPP), a large free trade organisation, e legislation has been passed to raise the consumption tax in 2014 and political pressure has been applied to the Bank of Japan o provide monetary stimulation. However, these achievements are ot reflected in any increase in popularity and there is probably going to be a general election in the autumn. A third political force as emerged after the election of Toru Hashimoto as Mayor of Osaka. The recent election of former Prime Minister Abe as leader of the Liberal Democratic Party and Prime Minister Noda's Cabinet e-shuffle on 1 October make forecasting the direction of policy difficult in what is now a pre-election period acutely affected by the dispute with China over the Senkaku Islands. However, expectations are low and the potential for improvement large whilst there has clearly been a desire for change signalled by the electorate.

Japanese Corporate Developments

Although the commentary in the UK on Japanese corporate governance has been very negative as a result of the fraud at Olympus, there has actually been steady but slow progress. Olympus appears to be an isolated case and the predictions of many more examples of similar egregious abuse have not been justified. The trend of companies to buy in or sell off quoted subsidiaries continues and Japan Trust benefited from this with the tender offer for So-Net Entertainment. Dividends are also rising, as are share buy backs, and the yield on the portfolio is now 2.4% in contrast with 10 year Japanese Government Bond yields of 0.8%. Companies continue to use the strength of the yen to make purchases overseas and these are predominantly in related business areas to build scale internationally. For example Itochu, our largest holding, is expanding its food and consumer goods businesses, Kubota has bought a Norwegian agricultural machinery company, Gree has bought several US games companies and Rakuten has been investing in unquoted but interesting internet start-ups in the US.

Outlook

As in so many previous years the macro-environment remains uncertain and prospects for the medium term economic growth rate in Japan are low. Potential for improvement in Japan remains large if sensible policies are adopted with regard to deregulation or free trade via the TPP, whilst the recent move by the Bank of Japan is encouraging. However our focus on individual companies and the companies' focussing on finding growth internationally, as well as domestically, continue to be points of differentiation from the index. Japan has been out of favour as a market for a considerable time and as a result expectations and valuations are low. The figures shown in the chart on page 11 demonstrate the superior growth and lack of any premium paid for something that might be considered rare. We believe this is not going to persist indefinitely and are therefore encouraged to be using all the gearing in the market.

Baillie Gifford & Co
12 October 2012

Past performance is not a guide to future performance.

tfolio Performance Attribution for the Year to 31 August 2012*

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

folio breakdown	Benchmark asset allocation 01.09.11 %	Benchmark asset allocation 31.08.12 %	Baillie Gifford Japan asset allocation 01.09.11 %	Baillie Gifford Japan asset allocation 31.08.12 %	Performance† BG Japan %	Performance† TOPIX total return %	Contribution to relative return %	Contribution attributable to: Stock selection %	Contribution attributable to: Asset allocation %	Contribution attributable to: Gearing %
mation, communication nd utilities	9.6	9.6	13.4	13.1	15.1	(5.5)	2.7	2.7	–	–
tricals and electronics	13.9	12.2	14.9	12.5	(4.8)	(15.6)	1.5	1.7	(0.2)	–
micals and other materials	13.8	11.9	8.7	7.4	(11.3)	(16.3)	1.2	0.5	0.7	–
nmerce and services	12.3	13.0	22.5	21.9	5.3	2.9	1.1	0.5	0.6	–
estate and construction	4.8	5.2	3.6	6.2	22.6	9.6	0.6	0.6	–	–
ufacturing and machinery	19.4	19.7	11.5	15.5	2.1	(1.5)	0.4	0.5	(0.1)	–
maceuticals and food	8.4	9.9	7.2	6.9	25.0	14.9	0.1	0.5	(0.4)	–
ncials	13.7	13.9	7.5	8.7	(1.9)	0.9	(0.4)	(0.2)	(0.2)	–
il	4.1	4.6	10.7	7.8	(18.1)	11.3	(2.2)	(2.8)	0.6	–
l (excluding gearing)	**100.0**	**100.0**	**100.0**	**100.0**	**2.1**	**(2.7)**	**4.9**	**3.9**	**1.0**	**–**
act of gearing					(0.3)	–	(0.3)	–	–	(0.3)
l (including gearing)#					**1.8**	**(2.7)**	**4.6**	**3.9**	**1.0**	**(0.3)**

t performance is not a guide to future performance.

rce: Statpro/Baillie Gifford & Co

ntributions cannot be added together, as they are geometric; for example, to calculate how a return of 2.1% against a benchmark return of (2.7%) translates into a tive return of 4.9%, divide the portfolio return of 102.1 by the benchmark return of 97.3, subtract one and multiply by 100. In addition, the total contribution figures ude a residual element that relates to changes in weightings mid-month, which cannot be attributed to individual sectors. Consequently, the contributions for the vidual sectors do not sum to the total contribution figures.

he performance attribution table is based on total assets.

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

he total return performance of 1.8% excludes expenses and, therefore, differs from the NAV return (after deducting borrowings at fair value) of 0.8% as a result.

vestment Changes (£'000)

	Valuation at 31 August 2011	Net acquisitions/ (disposals)	Appreciation/ (depreciation)	Valuation at 31 August 2012
uities:				
ormation, communication and utilities	21,221	(2,984)	2,819	21,056
ectricals and electronics	23,500	(373)	(3,034)	20,093
hemicals and other materials	13,755	–	(1,829)	11,926
ommerce and services	35,552	(1,446)	1,037	35,143
eal estate and construction	5,773	2,902	1,230	9,905
lanufacturing and machinery	18,178	5,320	1,396	24,894
harmaceuticals and food	11,462	(2,549)	2,182	11,095
nancials	11,880	2,678	(534)	14,024
etail	16,963	(1,286)	(3,056)	12,621
otal equity investments	158,284	2,262	211	160,757
Net liquid assets	3,934	(1,485)	(75)	2,374
otal assets	162,218	777	136	163,131
ank loans	(28,511)	–	(33)	(28,544)
hareholders' funds	**133,707**	**777**	**103**	**134,587**

)istribution and Relative Weightings

istribution of Total Assets

dustry 2012 (2011)

Listings 2012 (2011)

quity Weightings Relative to Benchmark

argest Holdings and Portfolio Characteristics

enty Largest Holdings

ne	Business	2012 Value £'000	2012 % of total assets	2011 Value £'000
u	Trading conglomerate	6,206	3.8	6,401
Quijote	Discount store operator	4,899	3.0	5,667
n Tobacco	Tobacco manufacturer	4,655	2.9	4,913
I	Mobile telecommunications	4,485	2.7	4,559
ka Corp	IT solutions for companies	4,455	2.7	3,386
nex	Medical equipment	4,087	2.5	3,269
uten	Internet retailer	3,945	2.4	4,498
strial & Infrastructure Fund	Logistics REIT	3,929	2.4	–
umi Group	Precision machinery parts distributor	3,862	2.4	3,551
chi High-Technologies	Semiconductor production equipment	3,770	2.3	2,815
Heavy Industries	Niche car brand	3,398	2.1	–
subishi UFJ Lease & Finance	Leasing company	3,250	2.0	2,971
	Travel agency	3,209	2.0	3,348
	Online drug marketing service	3,199	2.0	2,668
s	Sports shoes and clothing	3,153	1.9	3,294
subishi Electric	Industrial electric conglomerate	3,140	1.9	3,748
u Motors	Commercial vehicle manufacturer	3,086	1.9	2,635
yo Tatemono	Property leasing and development	3,084	1.9	3,045
ex	Oil and gas producer	2,941	1.8	3,400
aka Securities Exchange	Stock exchange	2,933	1.8	3,374
		75,686	**46.4**	**67,542**

rtfolio Characteristics

- **Growth**: Higher than average growth in earnings
- **Quality**: Higher than average return on equity, stronger balance sheets
- **Value**: No penalty in terms of price earnings ratio
- **Size**: Mid to small cap exposure

₹eview of Investments

OP TEN EQUITY HOLDINGS

tochu

.8% of total assets

ochu is one of the major general trading companies in Japan with a iversified portfolio of businesses ranging from resources to soft ommodities to consumer brands in China. The company has had trong profits growth in the last couple of years and trades on very ow valuations with a good dividend yield despite its high returns nd prospects for future growth.

Don Quijote

.0% of total assets

Don Quijote continues to combine low pricing and shopping as entertainment in two key retail formats that have further potential for expansion in Japan. The company sources inventory in a unique way o reduce costs and this has helped it to gain market share after the 2011 earthquake. The product range remains very broad allowing Don Quijote to benefit from shifts in consumption preferences by shifting product mix and it continues to look like the future winner in discount retailing in Japan.

Japan Tobacco

2.9% of total assets

Japan Tobacco is the market leader in Japan and the third largest tobacco company globally. The government is going to reduce its half share in the company and a significant proportion of this will be bought back by the company, reducing the number of shares outstanding. There is also further scope to raise prices in Japan and the overseas businesses continue to grow strongly. The company therefore should see further growth in both profits and dividends and is cheaply valued compared to other global peers.

KDDI

2.7% of total assets

KDDI is Japan's second largest mobile phone operator and also operates fixed line telecom services. The rapid uptake of smartphones in Japan, in conjunction with KDDI's differentiated strategy of offering bundled telecom products to customers, should allow the company to grow revenues and profits much faster than peers as well as the overall industry in future.

Otsuka Corp

2.7% of total assets

Otsuka Corp is one of Japan's largest IT and office automation companies employing over 8,000 people. It offers both software and hardware services to a wide variety of companies and has a successful office supply service called Tanomail. The company benefits from its comprehensive offer to smaller companies, typically those without systems expertise, as it can offer a complete service whilst remaining price competitive because of its size. As companies upgrade their IT systems and seek to cut costs, Otsuka can continue to grow.

smex

5% of total assets

smex is a medical devices company that has strong positions in haematology and haemostasis segments of the IVD (in-vitro agnostics) market. Thanks to a more focused approach to product velopment, the company has developed a broad range of oducts that are best-in-class technologically. As a consequence of s, Sysmex has been gaining share from its main rivals in all its key arkets and has established a leading position in the fast growing inese market. Another appealing aspect of its business model is growing stream of high margin consumable sales for the installed se of machines, resulting in rising group margins. The company's w life sciences division also offers excitement in the mid-term. We nk the company has a strong and sustainable competitive edge at will allow it to grow faster and more profitably than its peers for any years and this, we think, is not reflected in the current luation.

akuten

.4% of total assets

kuten is one of the world's leading e-commerce companies and mongst the few that has developed a distinct business model not iginated in the US. Ichiba-mall continues to grow rapidly as online opping develops in Japan and the financial businesses are also omising. Last year Rakuten bought Kobo, a Canadian company hich makes e-readers globally, in order to develop e-publishing in pan and the product was launched in July. There are a variety of verseas businesses being developed and we expect further growth om Japan.

Industrial & Infrastructure Fund

2.4% of total assets

Industrial & Infrastructure Fund (IIF) is a real estate investment trust (JREIT), investing in industrial properties such as research, IT or logistics centres. Its area of focus is very different to other JREITs, which target office, commercial or residential properties acquired from developers or other investors. IIF tends to engage with companies, which are not primarily involved in real estate and whose objective is to reduce asset size or realise gains, typically referencing the sale price to book cost rather than appraisal value. IIF is a rare example of a JREIT able to grow consistently through acquisition and is addressing a very large potential market.

Misumi Group

2.4% of total assets

Misumi offers a wide variety of products via catalogues and the internet to industrial companies from diverse sources. It can customise particular parts and ship them to very tight timetables as well as undercutting traditional suppliers on price. The business model that it developed in Japan is being taken abroad and overseas sales are now 28% of the total. The entrepreneurial culture and large growth opportunity should ensure future growth.

Hitachi High-Technologies

2.3% of total assets

Hitachi High-Technologies has a global leading medical diagnostics business, manufactures semiconductor production equipment, and engages in general trading activity. It also has a very strong balance sheet, with a significant net cash position, which gives it substantial strength to fund business expansion.

Fuji Heavy Industries
New BRZ sports car.

2 Sanrio
Hello Kitty for Liberty art fabrics

2

NEW HOLDINGS

Fuji Heavy Industries

2.1% of total assets

Fuji Heavy makes Subaru cars, a niche brand combining driving excitement and robust reliable engineering. Despite making 70% of the cars in Japan and selling mainly overseas, the company is profitable even with the yen at its current high value. Recently Subaru withdrew from manufacturing minicars in Japan and is using that capacity to make a new sports car jointly developed with Toyota, who own 16% of Fuji Heavy. The model cycle has shortened and with new launches expanding the range, Subaru looks likely to grow further.

Endo Lighting

1.6% of total assets

Endo Lighting manufactures and sells commercial use lighting systems. The company is the second largest player in the domestic market and has been swift to switch its product mix over to focus on energy efficiency LED lights. Orders have been increasing sharply in recent months as businesses and public buildings switch over to LED lighting to reduce their power consumption after last year's earthquake. This demand should continue for some time and Endo's profitability should also increase because LED lights are higher margin products.

Sanrio

0.8% of total assets

Sanrio has developed or bought a portfolio of characters including Hello Kitty and the Mr Men. Historically the company sold products itself but has now moved to a licensing model, whereby a proportion of the final sale price goes to Sanrio. This has increased profits significantly and has the potential to expand further. Hello Kitty seems to have appeal in many different countries and to a broader customer profile than might be expected.

Kakaku.com

0.8% of total assets

Kakaku is Japan's leading online price comparison website. It also operates Japan's most popular online restaurant review and booking service called Tabelog. Its scalable business model means that Kakaku is able to offer additional online services to customers, at very little cost and high profitability. All of its online services are free to use and most of these have a rapidly growing user base. There is also evidence to suggest that the company has strong pricing power. We think that the business is still quite immature, and given the secular long term growth trend of e-commerce in Japan, we feel that Kakaku is well positioned to benefit from this. In addition, there is also the possibility of Kakaku expanding its operations overseas. We think these aspects of the business are not reflected in the current share price.

List of Investments
As at 31 August 2012

Name	Where listed	Business	Value £'000	% of total assets
Information, communication and utilities				
Digital Garage	JASDAQ	Internet business incubator	419	
GMO Internet	TOPIX Small	Internet infrastructure	2,293	
Gree	TOPIX Small	Social network games	2,095	
Hikari Tsushin	TOPIX Mid	Telecommunication services	2,342	
KDDI	TOPIX Core	Mobile telecommunications	4,485	
M3	TOPIX Small	Online drug marketing service	3,199	
Otsuka Corp	TOPIX Mid	IT solutions for companies	4,455	
So-Net Entertainment	TOPIX Small	Internet operator and investor	1,261	
Zappallas	TOPIX Small	Mobile fortune-telling	507	
			21,056	12.9
Electricals and electronics				
Canon	TOPIX Core	Printers, copiers and cameras	2,784	
Iriso Electronics	JASDAQ	Specialist connectors	1,944	
Mitsubishi Electric	TOPIX Large	Industrial electric conglomerate	3,140	
Rohm	TOPIX Large	Electronic component manufacturer	789	
Shimadzu	TOPIX Mid	Environmental testing equipment	2,887	
Sysmex	TOPIX Mid	Medical equipment	4,087	
Ushio	TOPIX Mid	Specialist lamps and digital cinema equipment	1,900	
Yaskawa Electric	TOPIX Mid	Robots and factory automation	2,562	
			20,093	12.3
Chemicals and other materials				
Asahi Glass	TOPIX Large	TV, car and construction glass	1,993	
Inpex	TOPIX Large	Oil and gas producer	2,941	
Japan Petroleum Exploration	TOPIX Mid	Oil and gas producer	337	
Nifco	TOPIX Mid	Car parts	2,556	
Pigeon	TOPIX Small	Baby supplies	1,882	
Ryobi	TOPIX Small	Aluminium castings	841	
Shin-Etsu Chemical	TOPIX Core	Electronic materials and chemicals manufacturer	1,376	
			11,926	7.3
Commerce and services				
East Japan Railway	TOPIX Core	Tokyo based railway	2,848	
Hamakyorex	TOPIX Small	Logistics	2,725	
HIS	TOPIX Small	Travel agency	3,209	
Hitachi High-Technologies	TOPIX Mid	Semiconductor production equipment	3,770	
Itochu	TOPIX Large	Trading conglomerate	6,206	
Kakaku.com	TOPIX Mid	Price comparison and restaurant review website	1,377	
Misumi Group	TOPIX Mid	Precision machinery parts distributor	3,862	
Mitsui & Co	TOPIX Core	Trading conglomerate	2,328	
Next	TOPIX Small	Provides online real estate information	837	
Nippon Yusen KK	TOPIX Mid	Shipping	816	
Rakuten	JASDAQ	Internet retailer	3,945	
Sanrio	TOPIX Mid	Character licensing, mainly Hello Kitty	1,380	
Temp Holdings	TOPIX Small	Employment and outsourcing services	1,840	
			35,143	21.5

Name	Where listed	Business	Value £'000	% of total assets
Real estate and construction				
Aeon Mall	TOPIX Mid	Shopping centre developer and operator	2,892	
Industrial & Infrastructure Fund	TOPIX Small & Others	Logistics REIT	3,929	
Tokyo Tatemono	TOPIX Mid	Property leasing and development	3,084	
			9,905	6.1
Manufacturing and machinery				
Asics	TOPIX Mid	Sports shoes and clothing	3,153	
Disco	TOPIX Mid	Specialist cutting for semiconductors	1,267	
Endo Lighting	Osaka	LED lighting	2,569	
Fuji Heavy Industries	TOPIX Mid	Niche car brand	3,398	
Isuzu Motors	TOPIX Mid	Commercial vehicle manufacturer	3,086	
Keihin	TOPIX Mid	Honda related parts supplier	2,139	
Kubota	TOPIX Large	Agricultural machinery	2,358	
Modec	TOPIX Small	Designs and leases offshore oil platforms	1,502	
SMC	TOPIX Large	Pneumatic control equipment	2,886	
Toyo Tire & Rubber	TOPIX Small	Tyre manufacturer	2,536	
			24,894	15.3
Pharmaceuticals and food				
EPS	TOPIX Small	Clinical testing services	2,144	
Japan Tobacco	TOPIX Core	Tobacco manufacturer	4,655	
Otsuka Holding	TOPIX Mid	Pharmaceuticals	2,183	
Tsumura	TOPIX Mid	Herbal medicines	2,113	
			11,095	6.8
Financials				
Aoyama Zaisan Networks	Mothers	Advisory services for wealthy Japanese	160	
Fukuoka Financial	TOPIX Mid	Commercial bank	2,266	
Lifenet Insurance	Mothers	On-line insurance	1,422	
Mitsubishi UFJ Lease & Finance	TOPIX Mid	Leasing company	3,250	
Nomura	TOPIX Core	Global investment bank	1,088	
Osaka Securities Exchange	JASDAQ	Stock exchange	2,933	
SBI Holdings	TOPIX Mid	Online broker and venture capital investor	1,021	
Suruga Bank	TOPIX Mid	Commercial bank	1,884	
			14,024	8.6
Retail				
Don Quijote	TOPIX Mid	Discount store operator	4,899	
Nitori	TOPIX Mid	Furniture retail chain	2,843	
Start Today	TOPIX Small	Internet fashion retailer	2,534	
Yamada Denki	TOPIX Large	Major consumer electronics retailer	2,345	
			12,621	7.7
Total investments			**160,757**	**98.5**
Net liquid assets			**2,374**	**1.5**
Total assets			**163,131**	**100.0**
Bank loans			**(28,544)**	**(17.5)**
Shareholders' funds			**134,587**	**82.5**

)irectors' Report

e Directors present their Annual Report together with the audited ancial statements of the Company for the year to 31 August 2012.

usiness Review

Jsiness and Status

e Company is an investment company within the meaning of ction 833 of the Companies Act 2006. The Company carries on Jsiness as an investment trust. It was approved as an investment Jst under section 1158 of the Corporation Tax Act 2010 for the ear ended 31 August 2011, subject to matters that may arise from ny subsequent enquiry by HM Revenue & Customs into the ompany's tax return. In the opinion of the Directors, the Company as subsequently conducted its affairs so as to enable it to seek such pproval. In accordance with recent changes to section 1158, the ompany has obtained approval as an investment trust from HM evenue & Customs for accounting periods commencing on or after September 2012.

vestment Policy

e Baillie Gifford Japan Trust aims to achieve long term capital owth principally through investment in medium and smaller sized panese companies which are believed to have above average ospects for growth, although it invests in larger companies when nsidered appropriate.

e Company's holdings are generally listed in Japan although the ortfolio can also include companies listed elsewhere whose Jsiness is predominantly in Japan as well as unlisted companies. om time to time, fixed interest holdings, or non equity investments, ay be held.

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

constructing the equity portfolio a spread of risk is achieved by versifying the portfolio through investment in 40 to 70 holdings. though sector concentration and the thematic characteristics of the ortfolio are carefully monitored, there are no maximum limits to viation from benchmark stock or sector weights except as imposed 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 15 and 16 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.

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; and
- the ongoing charges.

The one, five and ten year records for the KPIs can be found on pages 2, 3 and 4 respectively.

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

Borrowings

There were no loans drawn down or repaid during the year.

Results

The net asset value per share (after deducting borrowings at fair value) increased by 0.8% during the year compared to a decrease in the benchmark of 2.7% and the discount narrowed from 10.6% to 9.2%.

Dividend

The revenue reserve remains in deficit despite a net return of £777,000. Consequently, the Company is unable to pay a dividend.

Review of the Year and Future Trends

A review of the main features of the year and the investment outlook is contained in the Chairman's Statement and the Managers' Report on pages 5 and 7 to 9 respectively.

Principal Risks and Uncertainties

The Company's assets consist mainly 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 39 to 42.

Other risks faced by the Company include the following:

Regulatory Risk – failure to comply with applicable legal and regulatory requirements could lead to suspension of the Company's Stock Exchange Listing, financial penalties or a qualified audit report. Breach of section 1158 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on capital gains. The Managers monitor investment movements and the level of forecast income and expenditure to ensure the provisions of section 1158 are not breached. Baillie Gifford's Heads of Business Risk & Internal Audit and Regulatory Risk 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/Financial Risk – failure of the Managers' 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. The Manager has 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 the Managers' Report on Internal Controls and the reports by other key third party providers are reviewed by the Manager on behalf of the Board.

Discount Volatility – the discount at which the Company's shares trade can widen. The Board monitors the level of discount and the Company has authority to buy back its own shares.

Gearing Risk – the Company may borrow money for investment purposes. If the investments fall in value, any 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 gearing levels are discussed by the Board and Managers at every meeting. The majority of the Company's investments are in listed securities that are readily realisable.

Employees

The Company has no employees.

Social and Community Issues

As an investment trust, the Company has no direct social or community responsibilities. The Company however believes that it is in the shareholders' interests to consider environmental, social and governance factors when selecting and retaining investments. Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 21.

Corporate Governance

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the June 2010 UK Corporate Governance Code (the 'Code') which can be found at **www.frc.org.uk** and the principles of the AIC 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 currently 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. Mr M Barrow is the Senior Independent Director. The executive responsibility for investment management has been delegated to the Company's Managers and Secretaries, Baillie Gifford & Co, and, in the context of a Board comprising only non-executive Directors, there is no chief executive officer.

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 6.

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

rms of Appointment

e terms and conditions of Directors' appointments are set out in mal letters of appointment which are available for inspection on quest.

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

dependence of Directors

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

r RA Barfield, Mr NAC Bannerman and Mr M Barrow, have rved on the Board for more than nine years. The Directors cognise the importance of succession planning for company ards and review the Board composition annually. The Board is of view that length of service will not necessarily compromise the dependence or contribution of Directors of an investment trust mpany, where continuity and experience can be a benefit to the ard. The Board concurs with the view expressed in the AIC Code t long serving Directors should not be prevented from being nsidered independent and that "independence stems from the ility to make those objective decisions that may be in conflict with interests of management. This in turn is a function of confidence rn of courage and experience), integrity (personal character) and gement (born of knowledge and experience)".

llowing formal performance evaluation, the Board believes that twithstanding their length of service, Mr RA Barfield, Mr NAC nnerman and Mr M Barrow, continue to be independent in aracter and judgement. Mr Barfield's investment management perience adds significantly to the strength of the Board, Mr Barrow s extensive business contacts throughout Asia and Mr Bannerman s a sound background in finance. Their independence has not en compromised by length of service.

eetings

ere is an annual cycle of Board meetings which is designed to dress, in a systematic way, overall strategy, review of investment licy, investment performance, marketing, revenue budgets, vidend policy and communication with shareholders. The Board nsiders that it meets sufficiently regularly to discharge its duties ectively. The table below shows the attendance record for the ard and Committee meetings held during the year. All of the ectors attended the Annual General Meeting.

irectors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee
lumber of meetings	**6**	**3**	**2**
A Barfield	6	3	2
JAC Bannerman	6	3	2
\ Barrow	5	3	2
S Dimond	6	3	2
AH Paling	6	2	2

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. 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, 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 Board 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 industry and regulatory matters, taxation and company law. 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 24 and 25.

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'.

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

he practical measures to ensure compliance with regulation and ompany law, and to provide effective and efficient operations and nvestment management, have been delegated to the Managers and ecretaries, Baillie Gifford & Co, under the terms of the Management Agreement.

he practical measures in relation to the design, implementation and naintenance of control policies and procedures to safeguard the ssets of the Company and to manage its affairs properly, including he maintenance of effective operational and compliance controls nd risk management have also been delegated to Baillie Gifford & Co. The Board acknowledges its responsibilities to supervise and ontrol the discharge by the Managers and Secretaries of their bligations.

he Baillie Gifford & Co Heads of Business Risk & Internal Audit and Regulatory Risk provide the Board with regular reports on Baillie Gifford & Co's monitoring programmes. The reporting procedures for hese departments are defined and formalised within a service level agreement. Baillie Gifford & Co conduct an annual review of their ystem of internal controls which is documented within an internal ontrols report which complies with Technical Release AAF 01/06 nd ISAE 3402 – Assurance Reports on Internal Controls of Service Organisations made available to Third Parties. This report is ndependently reviewed by Baillie Gifford & Co's auditors and a opy of the report is submitted to the Audit Committee.

he Company's investments are segregated from those of Baillie Gifford & Co and their other clients through the appointment of Mizuho Corporate Bank Ltd as independent custodian of the Company's investments.

A detailed risk map is prepared which identifies the significant risks aced by the Company and the key controls employed to manage hese risks.

hese procedures ensure that consideration is given regularly to the ature and extent of the risks facing the Company and that they are being actively monitored. Where changes in risk have been dentified during the year they also provide a mechanism to assess whether further action is required to manage the risks identified. The Board confirms that these procedures have been in place throughout he Company's financial year and continue to be in place up to the date of approval of this Report.

nternal Audit

he Audit Committee carries out an annual review of the need for an nternal audit function. The Audit Committee continues to believe that he Managers' compliance and internal control systems and the nternal audit function provide sufficient assurance that a sound ystem of internal control, which safeguards shareholders' investment nd the Company's assets, is maintained. An internal audit function, pecific to the Company, is therefore considered unnecessary.

Accountability and Audit

he respective responsibilities of the Directors and the Auditors n connection with the Financial Statements are set out on pages 6 and 27.

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.

Audit Committee

An Audit Committee has been established consisting of all Directors. Its authority and duties are clearly defined within its written terms of reference which are available on request and on the Company's page of the Managers' website: **www.japantrustplc.co.uk**. Mr NAC Bannerman is Chairman of the Audit Committee. The Committee's responsibilities, which were discharged during the year, include:

- monitoring and reviewing the integrity of the half-yearly and annual financial statements and any formal announcements relating to the Company's financial performance;
- reviewing the adequacy and effectiveness of internal control and risk management systems;
- making recommendations to the Board in relation to the appointment of the external auditors and approving the remuneration and terms of their engagement;
- developing and implementing policy on the engagement of the external auditors to supply non-audit services (there were no non-audit services during the year);
- reviewing and monitoring the independence, objectivity and effectiveness of the external auditors;
- reviewing the arrangements in place within Baillie Gifford & Co whereby its staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company;
- reviewing the terms of the Investment Management Agreement; and
- considering whether there is a need for the Company to have its own internal audit function.

cewaterhouseCoopers LLP are engaged as the Company's ditors. Having considered the experience and tenure of the audit rtner and staff and the level of service provided, the Committee nains satisfied with the Auditors' effectiveness. The audit partner ponsible for the audit is rotated every 5 years and the current d audit partner has been in place for 5 years. Accordingly, a w lead audit partner has been appointed for next year. There are contractual obligations restricting the Company's choice of ernal auditor. The Committee receives confirmation from the ditors that they have complied with the relevant UK professional d regulatory requirements on independence. The Committee does t believe that there has been any impairment to the Auditors' dependence.

e fees paid to the auditor for audit services are disclosed in note 4 page 34.

lations with Shareholders

e Board places great importance on communication with areholders. The Company's Managers meet regularly with areholders, accompanied by the Chairman when requested and port shareholders' views to the Board. The Chairman is available meet with shareholders as appropriate. Shareholders wishing to mmunicate with any members of the Board may do so by writing them at the Company's registered office.

e Company's Annual General Meeting provides a forum for mmunication with all shareholders. The level of proxies lodged each resolution is announced at the Meeting and is published the Company's page of the Managers' website: **ww.japantrustplc.co.uk** subsequent to the meeting. The notice riod for the Annual General Meeting is at least twenty working ys. Shareholders and potential investors may obtain up-to-date ormation on the Company from the Managers' website.

orporate Governance and Stewardship

e Company has given discretionary voting powers to the estment Managers, Baillie Gifford & Co. The Managers vote ainst resolutions they consider may damage shareholders' rights or onomic interests.

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

e Managers are signatories of the United Nations Principles for sponsible Investment.

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.

Investment Manager

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

An Investment Management Agreement between the Company and Baillie Gifford & Co 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. Details of the fee arrangements with Baillie Gifford & Co are shown on page 34. 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 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 as Managers, on the terms agreed, is in the interests of shareholders as a whole 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.

Directors

Information about the Directors, including their relevant experience, can be found on page 6.

Mr RA Barfield, Mr NAC Bannerman and Mr M Barrow 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. Mr PS Dimond, having served three years since he was last elected to the Board will also be retiring and offering himself for re-election at the Annual General Meeting.

ollowing formal performance evaluation, the performance of Ar RA Barfield, Mr NAC Bannerman, Mr M Barrow and Ar PS Dimond continues to be effective and each remains committed o the Company. Their contribution to the Board is greatly valued nd the Board recommends their re-election to shareholders.

Directors' Interests

he Directors at the year end, and their interests in the Company, are s shown below. There have been no changes intimated in the Directors' interests up to 11 October 2012.

Name	Nature of interest	Ordinary 5p shares held at 31 August 2012	Ordinary 5p shares held at 31 August 2011
A Barfield	Beneficial	31,629	31,629
NAC Bannerman	Beneficial	4,005	2,715
A Barrow	Beneficial	5,000	–
S Dimond	Beneficial	2,964	2,984
AH Paling	Beneficial	10,000	10,000

Director Indemnification and Insurance

he Company has entered into deeds of indemnity in favour of each of its Directors. The deeds cover any liabilities that may arise to a hird party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of abilities to the Company, any regulatory or criminal fines, any costs ncurred 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.

he Company maintains Directors' and Officers' liability insurance.

Major Interests in the Company's Shares

Name	No. of ordinary 5p shares held at 31 August 2012	% of issue
607 Capital Partners (indirect)	6,063,923	9.79
azard Asset Management (indirect)	3,738,900	6.04
nvestec Asset Management Ltd (indirect)	3,250,056	5.25
egal & General Group Plc (direct)	2,473,546	3.99

here have been no changes to the major interests in the Company's hares intimated up to 11 October 2012.

Share Capital

Capital Structure

The Company's capital structure consists of 61,935,000 ordinary shares of 5p each at 31 August 2012. 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 44 and 45.

Market Purchases of Own Shares

At the last Annual General Meeting the Company was granted authority to purchase up to 9,284,056 ordinary shares (equivalent to 14.99% of its issued share capital), such authority to expire at the 2012 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 purchase up to 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 2013.

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 12 in the Notice of Annual General Meeting.

ıare Issuance Authority

·solution 10 in the Notice of Annual General Meeting seeks to ·new the Directors' general authority to issue shares up to an ;gregate nominal amount of £1,032,250. This amount represents 3.33% of the Company's total ordinary share capital currently in ue and meets institutional guidelines. No issue of ordinary shares ll be made pursuant to the authorisation in Resolution 10 which ould effectively alter the control of the Company without the prior pproval of shareholders in general meeting.

·solution 11, which is proposed as a special resolution, seeks to ovide the Directors with authority to issue shares or sell shares held treasury on a non-pre-emptive basis for cash (i.e. without first ering such shares to existing shareholders pro-rata to their existing ldings) up to an aggregate nominal amount of £154,837.50 presenting 5% of the issued ordinary share capital of the ompany as at 11 October 2012). The authorities sought in solutions 10 and 11 will continue until the conclusion of the nual General Meeting to be held in 2013 or on the expiry of 15 onths from the passing of this resolution, if earlier.

ch authorities will only be used to issue shares or re-sell shares m treasury at a premium to net asset value and only when the rectors believe that it would be in the best interests of the ompany to do so. The Directors believe that the ability to buy-back ares at a discount and re-sell them or issue new shares at a emium are useful tools in smoothing supply and demand. No ares were issued during the year to 31 August 2012 and no ares were held in treasury as at 11 October 2012.

ticles of Association

nendment to the Company's Articles Relating to Changes in vestment Trust Rules and Company Law

shareholders know, the Company conducts its affairs so that it alifies as an investment trust and an investment company.

atutory rules governing investment trusts and investment companies ere amended recently. As a result of this change, there is no longer requirement for a Company's Articles to prohibit the distribution as dividend of surpluses arising from the realisation of investments. In ht of the amended statutory rules, the Board no longer considers it propriate to have such a prohibition in the Articles and therefore oposes that it is deleted. Resolution 13 will, if passed, remove this ohibition by deleting Article 146. The Board believes this will give Company greater flexibility in the long term as it will allow stributions to be made from any surplus arising from the realisation an investment.

rectors' Remuneration

the Annual General Meeting of the Company in 2010 areholders approved the increase in the amount that the Directors ay be paid, out of the funds of the Company, by way of fees for eir services as Directors from an aggregate of £100,000 per num to £150,000 per annum. The Articles are now also being dated to reflect this increase.

copy of the new Articles marked to show the changes being made available for inspection at the registered address of the Company d at the offices of Dickson Minto W.S., Broadgate Tower, 20 nrose Street, London EC2A 2EW during normal business hours on y day (Saturdays, Sundays and public holidays excepted) from the e of the notice of the AGM until the conclusion of the AGM.

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 9 in the Notice of Annual General Meeting, which proposes that the Company be continued until the 2013 Annual General Meeting.

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 53,598 shares, representing approximately 0.09% of the current issued share capital of the Company.

Creditor Payment Policy

It is the Company's payment policy for the forthcoming financial year to obtain the best terms for all business. In general, the Company agrees with its suppliers the terms on which business will take place and it is its policy to abide by these terms. The Company had no trade creditors at either 31 August 2011 or 31 August 2012.

Disclosure of Information to Auditors

The Directors confirm that so far as each of the Directors is aware there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

Independent Auditors

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

By order of the Board

Richard A Barfield
Chairman
12 October 2012

'he Board has prepared this report in accordance with the equirements of the Companies Act 2006. An ordinary resolution for 1e approval of this report will be put to the members at the orthcoming Annual General Meeting.

'he law requires the Company's auditors to audit certain of the lisclosures provided. Where disclosures have been audited, 1ey are indicated as such. The auditors' opinion is included in their eport on page 27.

?emuneration Committee

'he Company has five Directors all of whom are non-executive. 'here is no separate remuneration committee and the Board as a vhole considers changes to Directors' fees from time to time. Baillie Gifford & Co, who have been appointed by the Board as Managers and Secretaries, provide advice and comparative nformation when the Board considers the level of Directors' fees.

Policy on Directors' Fees

'he Board's policy is that the remuneration of Directors should be set it a reasonable level that is commensurate with the duties and esponsibilities of the role and consistent with the requirement to ittract and retain Directors of the appropriate quality and experience. It should also reflect the experience of the Board as a vhole, be fair and should take account of the level of fees paid by comparable investment trusts. It is intended that this policy will continue for the year ending 31 August 2013 and subsequent years.

he aggregate fees for the Directors are set within limits determined by the Company, from time to time, in general meeting. Currently, Directors' remuneration shall not exceed £150,000 per annum. Non-executive Directors are not eligible for any other remuneration apart from the reimbursement of allowable expenses.

The Board reviewed Directors' fees during the year and concluded that the fees should be increased from £25,000 to £28,500 for the Chairman and from £18,000 to £21,000 for the other Directors, with the Chairman of the Audit Committee receiving an additional £2,500. The new fees are effective from 1 September 2012.

Directors' Remuneration for the Year (audited)

	2012 £	2011 £
RA Barfield (Chairman)	25,000	25,000
NAC Bannerman (Audit Committee Chairman)	20,000	20,000
M Barrow	18,000	18,000
PS Dimond	18,000	18,000
MH Paling	18,000	18,000
	99,000	**99,000**

The Directors who served in the year received the above emoluments in the form of fees.

Directors' Service Contracts

It is the Board's policy that Directors do not have a service contract. All of the Directors have been provided with appointment letters and the terms of their appointment provide that Directors shall retire and be subject to election at the first Annual General Meeting after their appointment. Thereafter Directors are obliged to retire every three years, and may if they wish, offer themselves for re-election. The Board has also resolved that Directors who have served on the Board for more than nine years will submit themselves for re-election annually. There is no notice period and no provision for compensation upon early termination of appointment.

rectors' Service Details

ıme	Date of appointment	Due date for re-election
Barfield	1/12/97	AGM 2012
AC Bannerman	2/10/03	AGM 2012
Barrow	2/10/01	AGM 2012
Dimond	31/7/06	AGM 2012
H Paling	1/11/08	AGM 2014

ɔmpany Performance

e graph opposite compares the total return (assuming all dividends e reinvested) to ordinary shareholders compared with the total areholder return on a notional investment made up of shares in the mponent parts of the TOPIX total return (in sterling terms). This dex was chosen for comparison purposes as it is the index against hich the Company has measured its performance over the period vered by the graph.

Performance Graph

(figures rebased to 100 at 31 August 2007)

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 24 and 25 was approved by the Board of Directors and signed on its behalf on 12 October 2012.

Richard A Barfield
Chairman

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

'he Directors are responsible for preparing the Annual Report, the)irectors' Remuneration Report and the financial statements in ıccordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements or each financial year. Under that law they have elected to prepare he financial statements in accordance with applicable law and Jnited Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors nust not approve the financial statements unless they are satisfied hat 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 respectively; 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 ecords that are sufficient to show and explain the Company's ansactions and disclose with reasonable accuracy at any time the nancial 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.

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; and
- the Directors' 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.

By order of the Board

Richard A Barfield
12 October 2012

ndependent Auditors' Report

) the members of The Baillie Gifford Japan Trust PLC

'e have audited the financial statements of The Baillie Gifford
)an Trust PLC for the year ended 31 August 2012 which comprise
Income Statement, the Balance Sheet, the Reconciliation of
ovements in Shareholders' Funds and the Cash Flow Statement
d the related notes. The financial reporting framework that has
en applied in their preparation is applicable law and United
ngdom Accounting Standards (United Kingdom Generally
cepted Accounting Practice).

espective Responsibilities of Directors and Auditors

explained more fully in the Statement of Directors' Responsibilities
set out on page 26 the Directors are responsible for the
eparation of the financial statements and for being satisfied that
ey give a true and fair view. Our responsibility is to audit and
press an opinion on the financial statements in accordance with
plicable law and International Standards on Auditing (UK and
land). Those standards require us to comply with the Auditing
actices Board's Ethical Standards for Auditors.

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

ope of the Audit of the Financial Statements

audit involves obtaining evidence about the amounts and
closures in the financial statements sufficient to give reasonable
surance that the financial statements are free from material
sstatement, whether caused by fraud or error. This includes an
sessment of: whether the accounting policies are appropriate to
Company's circumstances and have been consistently applied
d adequately disclosed; the reasonableness of significant
counting estimates made by the Directors; and the overall
esentation of the financial statements.

addition, we read all the financial and non-financial information in
Annual Report and Financial Statements to identify material
onsistencies with the audited financial statements. If we become
are of any apparent material misstatements or inconsistencies we
nsider the implications for our report.

oinion on Financial Statements

our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2012 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- 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; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' Statement set out on page 26, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Karyn Lamont

Karyn Lamont (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
12 October 2012

Income Statement

For the year ended 31 August 2012

	Notes	2012 Revenue £'000	2012 Capital £'000	**2012 Total £'000**	2011 Revenue £'000	2011 Capital £'000	**2011 Total £'000**
Gains on investments	8	–	211	**211**	–	18,266	**18,266**
Currency losses	13	–	(108)	**(108)**	–	(930)	**(930)**
ncome	2	3,251	–	**3,251**	2,664	–	**2,664**
nvestment management fee	3	(1,325)	–	**(1,325)**	(1,331)	–	**(1,331)**
Other administrative expenses	4	(279)	–	**(279)**	(313)	–	**(313)**
Net return before finance costs and taxation		1,647	103	**1,750**	1,020	17,336	**18,356**
Finance costs of borrowings	5	(642)	–	**(642)**	(596)	–	**(596)**
Net return on ordinary activities before taxation		1,005	103	**1,108**	424	17,336	**17,760**
Tax on ordinary activities	6	(228)	–	**(228)**	(186)	–	**(186)**
Net return on ordinary activities after taxation		**777**	**103**	**880**	**238**	**17,336**	**17,574**
Net return per ordinary share	7	**1.25p**	**0.17p**	**1.42p**	**0.38p**	**27.99p**	**28.37p**

All revenue and capital items in this statement derive from continuing operations.

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.

he accompanying notes on pages 32 to 42 are an integral part of the financial statements.

›alance Sheet

31 August 2012

	Notes	2012 £'000	2012 £'000	2011 £'000	2011 £'000
xed assets					
estments	8		160,757		158,284
ırrent assets					
ıbtors	9	1,702		191	
ısh and deposits	19	2,516		4,162	
		4,218		4,353	
editors					
ıounts falling due within one year	10	(7,874)		(419)	
et current (liabilities)/assets			(3,656)		3,934
ıtal assets less current liabilities			157,101		162,218
editors					
ıounts falling due after more than one year	11		(22,514)		(28,511)
ıtal net assets			**134,587**		**133,707**
ıpital and reserves					
ılled up share capital	12		3,097		3,097
are premium	13		22,110		22,110
ıpital redemption reserve	13		203		203
ıpital reserve	13		115,656		115,553
venue reserve	13		(6,479)		(7,256)
ıareholders' funds	.		**134,587**		**133,707**
et asset value per ordinary share ter deducting borrowings at fair value)	14		**216.9p**		**215.2p**
et asset value per ordinary share ter deducting borrowings at par value)	14		**217.3p**		**215.9p**

e Financial Statements of The Baillie Gifford Japan Trust PLC (Company registration number SC75954) were approved and authorised for ue by the Board and were signed on 12 October 2012.

ıhard A Barfield

ıairman

accompanying notes on pages 32 to 42 are an integral part of the financial statements.

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 August 2012

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	**Shareholders' funds £'000**
Shareholders' funds at 1 September 2011		3,097	22,110	203	115,553	(7,256)	**133,707**
Net return on ordinary activities after taxation	13	–	–	–	103	777	**880**
Shareholders' funds at 31 August 2012		**3,097**	**22,110**	**203**	**115,656**	**(6,479)**	**134,587**

For the year ended 31 August 2011

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	**Shareholders' funds £'000**
Shareholders' funds at 1 September 2010	3,097	22,110	203	98,217	(7,494)	**116,133**
Net return on ordinary activities after taxation	–	–	–	17,336	238	**17,574**
Shareholders' funds at 31 August 2011	**3,097**	**22,110**	**203**	**115,553**	**(7,256)**	**133,707**

The accompanying notes on pages 32 to 42 are an integral part of the financial statements.

ash Flow Statement

r the year ended 31 August 2012

	Notes	2012 £'000	2012 £'000	2011 £'000	2011 £'000
t cash inflow from operating activities	15		1,263		920
rvicing of finance					
rest paid		(641)		(658)	
t cash outflow from servicing of finance			(641)		(658)
ancial investment					
quisitions of investments		(14,934)		(17,954)	
posals of investments		12,741		15,688	
hange differences on settlement of investment transactions		(262)		26	
t cash outflow from financial investment			(2,455)		(2,240)
t cash outflow before financing			(1,833)		(1,978)
ancing					
nk loans drawn down		–		13,651	
nk loans repaid		–		(13,538)	
t cash inflow from financing			–		113
crease in cash	16		**(1,833)**		**(1,865)**
conciliation of net cash flow to ovement in net debt	16				
crease in cash in the year			(1,833)		(1,865)
t cash inflow from bank loans			–		(113)
hange differences on bank loans			(33)		(890)
hange differences on cash			187		(66)
ovement in net debt in the year			(1,679)		(2,934)
t debt at 1 September			(24,349)		(21,415)
t debt at 31 August			**(26,028)**		**(24,349)**

accompanying notes on pages 32 to 42 are an integral part of the financial statements.

Notes to the Financial Statements

Contents

Principal Accounting Policies

summary of the principal accounting policies, which are changed from the prior year and have been applied consistently, e set out below.

Basis of Accounting

e financial statements are prepared on a going concern basis der the historical cost convention, modified to include the aluation of fixed asset investments and derivatives, and on the sumption that approval as an investment trust under section 1158 the Corporation Tax Act 2010 will continue to be granted.

e financial statements have been prepared in accordance with the mpanies Act 2006, applicable UK Accounting Standards and h the Statement of Recommended Practice 'Financial Statements Investment Trust Companies' issued in January 2009.

order to better reflect the activities of the Company and in cordance with guidance issued by the AIC, supplementary ormation which analyses the profit and loss account between ns of a revenue and capital nature has been presented in the ome Statement.

ancial assets and financial liabilities are recognised in the mpany's balance sheet when it becomes a party to the ntractual provisions of the instrument.

e Directors consider the Company's functional currency to be rling as the Company's shareholders are predominantly based in UK and the Company is subject to the UK's regulatory vironment.

Investments

chases and sales of investments are accounted for on a trade te basis.

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

Cash and Short Term Deposits

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

Income

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) Unfranked investment income includes taxes 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.

(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 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

	2012 £'000	2011 £'000
Income from investments		
Overseas dividends	3,251	2,664
Total income	**3,251**	**2,664**
Total income comprises		
Dividends from financial assets designated at fair value through profit or loss	3,251	2,664
Total income	**3,251**	**2,664**

3 Investment Management Fee – all charged to revenue

	2012 £'000	2011 £'000
Investment management fee	**1,325**	**1,331**

Baillie Gifford & Co are employed by the Company as Managers and Secretaries under a management agreement which is terminable on not less than 6 months' notice or on shorter notice in certain circumstances. The fee in respect of each quarter is 0.25% of the total net assets of the Company attributable to its shareholders on the last day of that quarter.

4 Other Administrative Expenses – all charged to revenue

	2012 £'000	2011 £'000
General administrative expenses	162	197
Directors' fees (see Directors' Remuneration Report on pages 24 and 25)	99	99
Auditors' remuneration – statutory audit of Company's annual financial statements	18	17
	279	**313**

There were no fees paid to the Auditors during the year in respect of non-audit services (2011 – nil).

5 Finance Costs of Borrowings

	2012 £'000	2011 £'000
Bank loans	**642**	**596**

Tax on Ordinary Activities

	2012 £'000	2011 £'000
Analysis of charge in year		
Overseas taxation	**228**	**186**
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 25.16% (2011: 27.16%)		
The differences are explained below:		
Net return on ordinary activities before taxation	1,108	17,760
Net return on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25.16% (2011: 27.16%)	279	4,824
Effects of:		
Capital returns not taxable	(26)	(4,709)
Income not taxable	(818)	(724)
Overseas withholding tax	228	186
Taxable losses in year not utilised	565	609
Current tax charge for the year	**228**	**186**

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

The standard rate of Corporation Tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Company's profits for the year to 31 August 2012 are taxed at an effective rate of 25.16%.

Factors that may affect future tax charges
At 31 August 2012 the Company had a potential deferred tax asset of £3,327,000 (2011 – £3,055,000) 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 23% (2011 – 25%).

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.

Net Return per Ordinary Share

	2012 Revenue	2012 Capital	**2012 Total**	2011 Revenue	2011 Capital	**2011 Total**
Net return on ordinary activities after taxation	**1.25p**	**0.17p**	**1.42p**	**0.38p**	**27.99p**	**28.37p**

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £777,000 (2011 – £238,000), and on 61,935,000 ordinary shares, being the number of ordinary shares in issue throughout each year.

Capital return per ordinary share is based on the net capital return for the financial year of £103,000 (2011 – £17,336,000), and on 61,935,000 ordinary shares, being the number of ordinary shares in issue throughout each year.

There are no dilutive or potentially dilutive shares in issue.

3 Fixed Assets – Investments

	2012 £'000	2011 £'000
Financial assets at fair value through profit or loss		
Listed overseas – equity investments	160,757	158,284
Total investments in financial assets at fair value through profit or loss	**160,757**	**158,284**

	Listed Equities £'000
Cost of investments held at 1 September 2011	**121,934**
Investment holding gains at 1 September 2011	**36,350**
Fair value of investments held at 1 September 2011	**158,284**
Movements in year:	
Purchases at cost	**16,367**
Sales – proceeds	**(14,105)**
– gains on sales	**765**
Changes in investment holding gains	**(554)**
Fair value of investments held at 31 August 2012	**160,757**
Cost of investments held at 31 August 2012	**124,961**
Investment holding gains at 31 August 2012	**35,796**
Fair value of investments held at 31 August 2012	**160,757**

The purchases and sales proceeds figures above include transaction costs of £13,000 (2011 – £14,000) and £14,000 (2011 – £13,000) respectively.

	2012 £'000	2011 £'000
Net gains on investments designated at fair value through profit or loss on initial recognition		
Gains on sales	765	1,672
Changes in investment holding gains	(554)	16,594
	211	**18,266**

Of the gains on sales during the year of £765,000 (2011 – £1,672,000), a net loss of £564,000 (2011 – net gain of £1,036,000) was included in the investment holding gains at the previous year end.

Debtors

	2012 £'000	2011 £'000
Due within one year:		
Income accrued and prepayments	332	185
Sales for subsequent settlement	1,364	-
Other debtors	6	6
	1,702	**191**

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.

0 Creditors – Amounts falling due within one year

	2012 £'000	2011 £'000
Purchases for subsequent settlement	1,433	–
Bank loan	6,030	–
Other creditors and accruals	411	419
	7,874	**419**

None of the above creditors are financial liabilities designated at fair value through profit or loss. Included in other creditors is £336,000 (2011 – £334,000) in respect of the investment management fee.

1 Creditors – Amounts falling due after more than one year

	2012 £'000	2011 £'000
Bank loans	**22,514**	**28,511**

Borrowing facilities

The following fixed rate term loans have been arranged, all of which were fully drawn down at 31 August 2012:

The Royal Bank of Scotland plc:	3 year ¥750 million loan at 2.26% maturing 6 August 2013
Scotiabank Europe PLC:	3 year ¥1,800 million loan at 2.04125% maturing 19 May 2014
ING Bank N.V.:	7 year ¥1,000 million loan at 2.425% maturing 11 August 2014

The main covenants relating to the above loans are:

- Total borrowings shall not exceed 35% of the Company's net asset value;
- The Company's minimum net asset value shall be £70m; and
- The ratio of adjusted total net assets to debt shall not exceed 3:1.

There were no breaches of loan covenants during the year.

12 Called up Share Capital

	2012 Number	2012 £'000	2011 Number	2011 £'000
Allotted, called up and fully paid ordinary shares of 5p each	**61,935,000**	**3,097**	**61,935,000**	**3,097**

At 31 August 2012 the Company had authority to buy back 9,284,056 shares. No shares were bought back or issued/sold during the year. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve.

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 2011	3,097	22,110	203	115,553	(7,256)	**133,707**
Gains on investments	–	–	–	765	–	**765**
Changes in investment holding gains	–	–	–	(554)	–	**(554)**
Exchange differences on bank loans	–	–	–	(33)	–	**(33)**
Exchange differences on settlement of investment transactions	–	–	–	(262)	–	**(262)**
Other exchange differences	–	–	–	187	–	**187**
Revenue return on ordinary activities after taxation	–	–	–	–	777	**777**
At 31 August 2012	**3,097**	**22,110**	**203**	**115,656**	**(6,479)**	**134,587**

The capital reserve includes investment holding gains of £35,796,000 (2011 – £36,350,000) 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:

	2012	2011	2012 £'000	2011 £'000
Ordinary shares of 5p	**217.3p**	**215.9p**	**134,587**	**133,707**

Net asset value per ordinary share is based on the net assets as shown above and 61,935,000 (2011 – 61,935,000) 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 217.3p to 216.9p. Taking the market price of the ordinary shares at 31 August 2012 of 197.0p, this would have given a discount to net asset value of 9.2% as against 9.3% on the basis of deducting borrowings at par. At 31 August 2011 the net asset value per share after deducting borrowings at fair value was 215.2p. Taking the market price of the ordinary shares at 31 August 2011 of 192.4p, this would have given a discount to net asset value of 10.6% as against 10.9% 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

	2012 £'000	2011 £'000
Net return before finance costs and taxation	1,750	18,356
Gains on investments	(211)	(18,266)
Currency losses	108	930
(Increase)/decrease in accrued income	(158)	23
Increase in other debtors	–	(1)
(Decrease)/increase in creditors	(10)	66
Overseas tax suffered	(216)	(188)
Net cash inflow from operating activities	**1,263**	**920**

16 Analysis of Change in Net Debt

	At 1 September 2011 £'000	Cash flows £'000	Other non-cash changes £'000	Exchange movement £'000	**At 31 August 2012 £'000**
Cash at bank and in hand	4,162	(1,833)	–	187	**2,516**
Loans due within one year	–	–	(6,023)	(7)	**(6,030)**
Loans due after one year	(28,511)	–	6,023	(26)	**(22,514)**
	(24,349)	**(1,833)**	**–**	**154**	**(26,028)**

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 24. No Director has a contract of service with the Company. During the year no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006. The details of the management fee are set out in note 3, and the management fee due to Baillie Gifford as at 31 August 2012 is disclosed in note 10.

9 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 in note 8.

(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 may also use forward currency contracts to limit the Company's exposure to anticipated future changes in exchange rates so that the currency risks entailed in holding the assets are mainly eliminated.

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 2012	Investments £'000	Cash at bank and in hand £'000	Bank loans £'000	Other debtors and creditors * £'000	**Net exposure £'000**
Yen	160,757	2,455	(28,544)	212	**134,880**
Total exposure to currency risk	160,757	2,455	(28,544)	212	**134,880**
Sterling	–	61	–	(354)	**(293)**
	160,757	**2,516**	**(28,544)**	**(142)**	**134,587**

* Includes net non-monetary assets of £23,000.

At 31 August 2011	Investments £'000	Cash at bank and in hand £'000	Bank loans £'000	Other debtors and creditors * £'000	**Net exposure £'000**
Yen	158,284	3,974	(28,511)	136	**133,883**
Total exposure to currency risk	158,284	3,974	(28,511)	136	**133,883**
Sterling	–	188	–	(364)	**(176)**
	158,284	**4,162**	**(28,511)**	**(228)**	**133,707**

* Includes net non-monetary assets of £23,000.

9 Financial Instruments (continued)

Currency Risk Sensitivity

At 31 August 2012, 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 £13,488,000 (2011 – £13,388,000). A 10% weakening of sterling against the yen, with all other variables held constant, would have had an equal but opposite effect on the financial statement amounts.

(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 2012 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:

	2012 Book value £'000	2012 Weighted average interest rate	2012 Weighted average period until maturity	2011 Book value £'000	2011 Weighted average interest rate	2011 Weighted average period until maturity
Bank loans:						
Yen denominated – fixed rate	**28,544**	**2.2%**	**19 months**	**28,511**	**2.2%**	**31 months**

Interest Rate Risk Sensitivity

An interest rate risk sensitivity analysis has not been performed as the Company does not hold bonds and has borrowed funds at a fixed rate of interest.

(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 15 and 16. 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 10 and 11.

119.4% (2011 – 118.4%) of the Company's net assets are invested in Japanese quoted equities. A 10% increase in quoted equity valuations at 31 August 2012 would have increased total net assets and net return on ordinary activities after taxation by £16,076,000 (2011 – £15,828,000). A decrease of 10% would have had an equal but opposite effect.

19 Financial Instruments (continued)

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 17).

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:

	2012 £'000	2011 £'000
In less than one year	6,030	–
In more than one year, but not more than two years	22,514	6,023
In more than two years, but not more than five years	–	22,488
	28,544	**28,511**

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 Company's listed investments are held on its behalf by Mizuho Corporate Bank, Ltd as the Company's custodian. 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 Manager monitors the Company's risk by reviewing the custodian's internal control report and reporting its 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.

Credit Risk Exposure

The exposure to credit risk at 31 August was:

	2012 £'000	2011 £'000
Cash at bank and in hand	2,516	4,162
Debtors and prepayments	1,702	191
	4,218	**4,353**

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

19 Financial Instruments (continued)

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.

	2012 Book value £'000	2012 Fair * value £'000	2011 Book value £'000	2011 Fair * value £'000
Fixed rate yen bank loans	**28,544**	**28,820**	**28,511**	**28,925**

*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 37. 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 17, and shares may be repurchased or issued as explained on pages 22 and 23.

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 33.

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.

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 29 November 2012 at 2.30pm.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 027 0133.

Baillie Gifford may record your call.

*Please note: Traffic disruptions and road closures are in place on York Place and parts of St Andrew Square due to the Edinburgh Tramwork Project.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the thirty first 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 Thursday, 29 November 2012 at 2.30pm 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 2012 with the Reports of the Directors and of the Independent Auditors thereon.
2. To approve the Directors' Remuneration Report for the year to 31 August 2012.
3. To re-elect Mr RA Barfield as a Director.
4. To re-elect Mr NAC Bannerman as a Director.
5. To re-elect Mr M Barrow as a Director.
6. To re-elect Mr PS Dimond as a Director.
7. To reappoint PricewaterhouseCoopers LLP as Independent Auditors of the Company.
8. To authorise the Directors to determine the remuneration of the Independent Auditors of the Company.
9. That, pursuant to article 166 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 2013.
10. 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 £1,032,250, 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 11 and 12 as Special Resolutions.

11. That, subject to the passing of Resolution 10 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 10 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 £154,837.50 being approximately 5% of the nominal value of the issued share capital of the Company, as at 11 October 2012.

12. 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 being 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 Company's next Annual General Meeting or on 31 December 2013 whichever is the earlier, 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.

Special Business

To consider and, if thought fit, to pass the following resolution as a Special Resolution.

13. That, the draft regulations produced to the meeting and, for the purposes of identification, initialled by the Chairman of the meeting, be adopted as the Articles of Association of the Company in substitution for, and to the entire exclusion of, the existing Articles of Association of the Company.

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 6ZZ or **www.investorcentre.co.uk/eproxy** no later than 48 hours (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 48 hours (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.

By Order of the Board

Baillie Gifford & Co
Managers and Secretaries
25 October 2012

Baillie Gifford & Co.

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.

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.

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.

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.

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 48 hours (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 auditors) setting out any matter relating to the audit of the Company's financial statements, including the auditors' 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 11 October 2012 (being the last practicable day prior to the publication of this notice) the Company's issued share capital consisted of 61,935,000 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 11 October 2012 were 61,935,000 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 proxy will need to ensure that both he and his 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.

18. A copy of the propsed new Articles of Association of the Company will be available at Broadgate Tower, 20 Primrose Street, London, EC2A 2EW and Calton Square, 1 Greenside Row, Edinburgh EH1 3AN during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of the notice of the AGM until the conclusion of the AGM.

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 47 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 website at **www.japantrustplc.co.uk**, Trustnet at **www.trustnet.co.uk** and on other financial websites. Company factsheets are also available on the Baillie Gifford website and are updated monthly. 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
	100.000p

The market value of the ordinary shares on 31 March 1982 was 77p. 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 0870 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.investorcentre.co.uk/eproxy**.

If you have any questions about this service please contact Computershare on 0870 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.

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 Services 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.

Analysis of Shareholders at 31 August

	2012 Number of shares held	2012 %	2011 Number of shares held	2011 %
Institutions	32,859,988	53.1	34,307,161	55.4
Intermediaries	24,234,577	39.1	23,604,082	38.1
Individuals	2,266,482	3.7	1,702,206	2.7
Baillie Gifford Share Plan/ISA	2,256,220	3.6	2,224,387	3.6
Marketmakers	317,733	0.5	97,164	0.2
	61,935,000	**100.0**	**61,935,000**	**100.0**

ost-effective Ways to Buy and Hold Shares n The Baillie Gifford Japan Trust

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

e 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

he 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 £11,280 each year
- Save monthly from £100
- A withdrawal charge of just £22

SA 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

he 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**. As well as being able to view the details of your plan online, the service also allows you to:

- get current valuations;
- make lump sum investments;
- switch between investment trusts (except where there is more than one holder);
- set up a direct debit to make regular investments; and
- update certain personal details.

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

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 48).

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 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 single country trusts are generally considered higher risk than those which invest in a number of different countries, as they are exposed to the changes in a single market and currency.

Baillie Gifford Japan can make use of derivatives. The use of derivatives may impact on its performance.

The generation of income is less important than the aim of achieving 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 Services Authority.

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

The information and opinions expressed in this document as 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 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.

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

All articles are available to read on screen and can also be downloaded in a PDF format.

Guides to Investment Trusts

Baillie Gifford has produced a number of educational guides on investment trusts. These are designed to explain how investment trusts work and to explain the various ways you can invest in them. If you would like copies of any of these guides, please contact the Baillie Gifford Client Relations Team.

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 47.

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, email, fax or post:

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

Tel: 0800 027 0133
We may record your call

E-mail: trustenquiries@bailliegifford.com
Website: www.bailliegifford.com

Fax: 0131 275 3955

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 these plans for you, please ask an authorised intermediary.

Directors

Chairman:
Richard A Barfield

Nick AC Bannerman
Martin Barrow CBE
Paul S Dimond CMG
Martin H Paling

Registrar

Computershare Investor
Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
Tel: 0870 889 3221

Brokers

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

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Erskine House
PO Box 90
68–73 Queen Street
Edinburgh EH2 4NH

Company registration No. SC75954

Managers, Secretaries and Registered Office

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1 Greenside Row
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EH1 3AN
Tel: 0131 275 2000
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