

This document comprises a prospectus relating to The Baillie Gifford Japan Trust PLC (the "Company") prepared in accordance with the Prospectus Rules and Listing Rules of the UK Listing Authority made under section 73A of the Financial Services and Markets Act 2000. This document has been approved by the Financial Conduct Authority in accordance with Rule 3.2 of the Prospectus Rules. This document will be made available to the public in accordance with the Prospectus Rules by being made available at www.japantrustplc.co.uk.

The Directors of the Company, whose names appear on page 23 of this document, and the Company each accept responsibility for the information contained in this document. The Directors and the Company, having taken all reasonable care to ensure that such is the case, believe that the information contained in this document is, to the best of the knowledge of the Directors and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.

THE BAILLIE GIFFORD JAPAN TRUST PLC

(incorporated in Scotland with registered no. SC075954 and registered as an investment company under section 833 of the Companies Act 2006)

Issues in respect of up to 15 million New Shares in aggregate

Applications will be made to the UK Listing Authority for the New Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admissions will become effective, and dealings in the New Shares will commence, during the period from 2 December 2015 to 1 December 2016.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this document and the offering of New Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. The New Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the New Shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company will not be registered under the United States Investment Company Act of 1940 (as amended) and investors will not be entitled to the benefits of such Act.

Dickson Minto W.S., which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is the sponsor to the Company. Dickson Minto W.S. is not acting for any other person in connection with the Issues. Apart from the responsibilities and liabilities, if any, which may be imposed on Dickson Minto W.S. by the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, Dickson Minto W.S. will not be responsible to anyone other than the Company for providing the protections afforded to clients of Dickson Minto W.S. and is not advising any other person in relation to any transaction contemplated in or by this document.

Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other suitably qualified and independent financial adviser authorised under the Financial Services and Markets Act 2000 if they are in the United Kingdom or, in the case of Overseas Investors, another appropriately authorised financial adviser. Potential investors should also consider the risk factors relating to the Company set out on pages 12 to 16 of this document.

2 December 2015

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SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. These Elements are numbered in Sections A-E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

Section A – Introduction and warnings

Element	Disclosure
A.1	<p><i>Warning</i></p> <p>This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in such securities.</p>
A.2	<p><i>Financial Intermediaries</i></p> <p>Not applicable. No consent has been given by the issuer or person responsible for drawing up this document to the use of this document for subsequent resale or final placement of securities by financial intermediaries.</p>

Section B – Issuer

Element	Disclosure
B.1	<p><i>Legal and commercial name</i></p> <p>The Baillie Gifford Japan Trust PLC.</p>
B.2	<p><i>Domicile and legal form</i></p> <p>The Company was incorporated and registered in Scotland on 2 September 1981 as a public company limited by shares under the Companies Acts 1948 to 1981 with registered number SC075954. The Company operates under the Act and regulations made under the Act.</p>
B.5	<p><i>Group description</i></p> <p>Not applicable. The Company is not part of a group.</p>

B.6	<p>Major shareholders</p> <p>As at close of business on 30 November 2015 (being the latest practicable date prior to the publication of this document), the Company was aware of the following notifiable interests in the issued share capital of the Company:</p> <table data-bbox="331 302 1418 470"> <thead> <tr> <th></th> <th style="text-align: right;"><i>No. of Ordinary Shares</i></th> <th style="text-align: right;"><i>% of issued share capital</i></th> </tr> </thead> <tbody> <tr> <td>Rathbone Brothers PLC (indirect)</td> <td style="text-align: right;">3,412,614</td> <td style="text-align: right;">4.5</td> </tr> <tr> <td>Brewin Dolphin Limited (indirect)</td> <td style="text-align: right;">4,372,650</td> <td style="text-align: right;">5.8</td> </tr> </tbody> </table> <p>The Directors are not aware of any person or persons who, following the Issues, will or could, directly or indirectly, jointly or severally, exercise control over the Company. There are no different voting rights for any Shareholder.</p>		<i>No. of Ordinary Shares</i>	<i>% of issued share capital</i>	Rathbone Brothers PLC (indirect)	3,412,614	4.5	Brewin Dolphin Limited (indirect)	4,372,650	5.8																																																							
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B.7	<p>Key financial information</p> <p>Selected financial information relating to the Company which summarises the financial condition of the Company for the three financial years ended 31 August 2015 is set out in the following table:</p> <table data-bbox="331 757 1418 1668"> <thead> <tr> <th></th> <th style="text-align: right;"><i>Year ended 31 August 2013</i></th> <th style="text-align: right;"><i>Year ended 31 August 2014</i></th> <th style="text-align: right;"><i>Year ended 31 August 2015</i></th> </tr> </thead> <tbody> <tr> <td colspan="4">Net asset value</td> </tr> <tr> <td>Net assets (£'000)</td> <td style="text-align: right;">210,375</td> <td style="text-align: right;">248,714</td> <td style="text-align: right;">323,153</td> </tr> <tr> <td>Net asset value per Ordinary Share (£)</td> <td style="text-align: right;">3.235</td> <td style="text-align: right;">3.587</td> <td style="text-align: right;">4.302</td> </tr> <tr> <td>Ordinary Share price (£)</td> <td style="text-align: right;">3.179</td> <td style="text-align: right;">3.523</td> <td style="text-align: right;">4.448</td> </tr> <tr> <td colspan="4">Income</td> </tr> <tr> <td>Revenue return after expenses and taxation (£'000)</td> <td style="text-align: right;">141</td> <td style="text-align: right;">322</td> <td style="text-align: right;">199</td> </tr> <tr> <td>Revenue return per Ordinary Share (£)</td> <td style="text-align: right;">0.22</td> <td style="text-align: right;">0.47</td> <td style="text-align: right;">0.28</td> </tr> <tr> <td>Dividend per Ordinary Share (£)</td> <td style="text-align: right;">n/a</td> <td style="text-align: right;">n/a</td> <td style="text-align: right;">n/a</td> </tr> <tr> <td colspan="4">Ongoing charges</td> </tr> <tr> <td>As a percentage of average total Shareholders' funds</td> <td style="text-align: right;">1.13%</td> <td style="text-align: right;">0.90%</td> <td style="text-align: right;">0.90%</td> </tr> <tr> <td colspan="4">Portfolio summary</td> </tr> <tr> <td>Shareholders' funds (£'000)</td> <td style="text-align: right;">210,400</td> <td style="text-align: right;">248,700</td> <td style="text-align: right;">323,200</td> </tr> <tr> <td colspan="4">NAV/share price returns</td> </tr> <tr> <td>Net asset value (par) return</td> <td style="text-align: right;">48.9%</td> <td style="text-align: right;">10.9%</td> <td style="text-align: right;">19.9%</td> </tr> <tr> <td>Ordinary Share price return</td> <td style="text-align: right;">61.4%</td> <td style="text-align: right;">10.8%</td> <td style="text-align: right;">26.3%</td> </tr> </tbody> </table> <p>During the three years to 31 August 2015 (being the end of the last financial period of the Company for which financial information has been published), there has been no significant change to the Company's financial condition or its operating results other than the increase in the Net Asset Value per Ordinary Share from £2.173 as at 1 September 2012 to £4.302 as at 31 August 2015. Since 31 August 2015, there has been no significant change in the financial or trading position of the Company other than the increase in the Net Asset Value per Ordinary Share from £4.302 to £4.669 as at 30 November 2015.</p>		<i>Year ended 31 August 2013</i>	<i>Year ended 31 August 2014</i>	<i>Year ended 31 August 2015</i>	Net asset value				Net assets (£'000)	210,375	248,714	323,153	Net asset value per Ordinary Share (£)	3.235	3.587	4.302	Ordinary Share price (£)	3.179	3.523	4.448	Income				Revenue return after expenses and taxation (£'000)	141	322	199	Revenue return per Ordinary Share (£)	0.22	0.47	0.28	Dividend per Ordinary Share (£)	n/a	n/a	n/a	Ongoing charges				As a percentage of average total Shareholders' funds	1.13%	0.90%	0.90%	Portfolio summary				Shareholders' funds (£'000)	210,400	248,700	323,200	NAV/share price returns				Net asset value (par) return	48.9%	10.9%	19.9%	Ordinary Share price return	61.4%	10.8%	26.3%
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B.8	<p>Key pro forma financial information</p> <p>Not applicable. No pro forma financial information is included in this document.</p>
B.9	<p>Profit forecast</p> <p>Not applicable. No profit forecast or estimate made.</p>
B.10	<p>Description of the nature of any qualifications in the audit report on the historical financial information</p> <p>Not applicable. The audit reports on the historical financial information contained within the document are not qualified.</p>
B.11	<p>Insufficient working capital</p> <p>Not applicable. The Company is of the opinion that, taking into account the existing bank facilities and cash resources, the working capital available to the Company is sufficient for the Company's present requirements (that is, for at least the next twelve months from the date of this document).</p>
B.34	<p>Investment Policy</p> <p><i>Investment objective</i></p> <p>The Baillie Gifford Japan Trust aims to achieve long term capital growth principally through investment in medium to smaller sized Japanese companies which are believed to have above average prospects for growth, although it invests in larger companies when considered appropriate.</p> <p><i>Investment policy</i></p> <p>The Company's holdings are generally listed in Japan although the portfolio can also include companies listed elsewhere whose business is predominantly in Japan as well as unlisted companies. From time to time, fixed interest holdings, or non equity investments, may be held.</p> <p>The portfolio is constructed through the identification of individual companies which offer long term growth potential, typically over a three to five year horizon. The portfolio is actively managed and does not seek to track the benchmark, hence a degree of volatility against the index is inevitable.</p> <p>In constructing the equity portfolio a spread of risk is achieved by diversifying the portfolio through investment in 40 to 70 holdings. Although sector concentration and the thematic characteristics of the portfolio are carefully monitored, there are no maximum limits to deviation from benchmark stock or sector weights except as imposed by banking covenants on borrowings.</p> <p>On acquisition, no holding shall exceed 5 per cent. of the portfolio at the time of purchase and any holding that as a result of good performance exceeds 5 per cent. of the portfolio is subject to particular scrutiny. A holding greater than 5 per cent. will only be held where the Managers continue to be convinced of the merits of the investment case.</p> <p>On acquisition, no more than 15 per cent. of the Company's gross assets will be invested in other UK listed investment companies.</p> <p>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).</p> <p>The Company recognises the long term advantages of gearing and has a maximum equity gearing level of 30 per cent. of shareholders' funds.</p> <p>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,</p>

	are discussed by the Board and Managers at every Board meeting.
B.35	<p><i>Borrowing limits</i></p> <p>The Company recognises the long term advantages of gearing and has a maximum equity gearing level of 30 per cent. 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.</p>
B.36	<p><i>Regulatory status</i></p> <p>Save for its compliance with the Act, the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, the Company is not a regulated entity.</p>
B.37	<p><i>Typical investor</i></p> <p>The Directors believe that the typical investors for whom an investment in the Company is intended are professionally advised private investors, institutional investors or those individuals who are prepared to tolerate a degree of risk or potential for loss, investing for long term capital growth from investments principally in medium and smaller sized Japanese companies which are believed to have above average prospects for growth.</p>
B.38	<p><i>Investment of 20 per cent. or more in a single underlying asset or investment company</i></p> <p>Not applicable. The Company has no investment of 20 per cent. or more in a single underlying asset or investment company.</p>
B.39	<p><i>Investment of 40 per cent. or more in a single underlying asset or investment company</i></p> <p>Not applicable. The Company has no investment of 40 per cent. or more in a single underlying asset or investment company.</p>
B.40	<p><i>Applicant's service providers and maximum fees payable</i></p> <p><i>Managerial arrangements</i></p> <p>The Board has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its alternative investment fund manager in accordance with the AIFM Directive under the Investment Management Agreement. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. The Investment Management Agreement is terminable by either party on six months' notice or on shorter notice in certain circumstances. The annual management fee which is payable to the Managers in accordance with the Investment Management Agreement is based on the net assets of the Company attributable to Shareholders and is 0.95 per cent. on the first £50 million of net assets and 0.65 per cent. on the remaining net assets. Management fees are calculated on a quarterly basis.</p> <p><i>Administration arrangements</i></p> <p>All secretarial and administrative services are provided by Baillie Gifford & Co Limited and the costs of these services are included in the management fee.</p> <p><i>Depository</i></p> <p>BNY Mellon Trust & Depository (UK) Limited has been appointed as the Company's Depository. The Depository is responsible for the safe keeping of the Company's assets. The Depository has delegated this activity to the custodian, The Bank of New York Mellon SA/NV, London Branch. The Depository has arranged for the custodian (and sub-custodians as necessary) to hold the Company's financial instruments and settles (directly or through sub-custodians) all transactions relating to those financial instruments on behalf of the Company. The annual fee payable to the Depository is 0.015 per cent. of total</p>

	<p>assets of the Company less liabilities (other than borrowing) subject to a minimum of £10,000.</p> <p><i>Auditors</i></p> <p>PricewaterhouseCoopers LLP provides audit services to the Company. The fees charged by the Auditors are computed, <i>inter alia</i>, on the time spent by the Auditors on the affairs of the Company.</p> <p><i>Registrar</i></p> <p>Computershare Investor Services PLC has been appointed as the Company's registrar. The Registrar's duties include the maintenance of the Company's register of Shareholders and the processing of any transfer of Ordinary Shares. Fees are based on the number of holders on the register and number of transfers each year.</p>
B.41	<p><i>Regulatory status of service providers</i></p> <p>The Managers and the Portfolio Managers are authorised and regulated by the Financial Conduct Authority.</p> <p>BNY Mellon Trust & Depositary (UK) Limited is authorised and regulated by the Financial Conduct Authority and The Bank of New York Mellon SA/NV is authorised and regulated as a credit institution by the National Bank of Belgium and its authorisation has been passported to the UK and, therefore, it is subject to limited regulation by the Financial Conduct Authority and has firm reference number 506491.</p>
B.42	<p><i>Calculation of Net Asset Value</i></p> <p>The net asset value of an Ordinary Share is calculated by the Company in accordance with the Company's accounting policies and is published daily through a Regulatory Information Service. The calculation of the Net Asset Value per Ordinary Share will be suspended only in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.</p>
B.43	<p><i>Cross liability</i></p> <p>Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investment in another collective investment undertaking.</p>
B.44	<p><i>No financial statements have been made up</i></p> <p>Not applicable. The Company has commenced operations and historical financial information is included within this document.</p>
B.45	<p><i>Portfolio</i></p> <p>The Company's portfolio comprises predominantly securities in medium and smaller sized Japanese companies. As at 30 November 2015 (being the latest practicable date prior to the publication of this document), the Company's portfolio comprised, by value, 98.9 per cent. equities and 1.1 per cent. net current assets.</p>
B.46	<p><i>Net Asset Value</i></p> <p>The unaudited Net Asset Value per Ordinary Share as at 30 November 2015 (being the latest practicable date prior to the publication of this document) was £4.669.</p>

Section C – Securities

Element	Disclosure
C.1	<p><i>Type and class of securities</i></p> <p>The Company will issue a maximum of 15 million New Shares pursuant to the Issues. The ISIN for the New Shares is GB0000485838.</p>
C.2	<p><i>Currency</i></p> <p>Sterling.</p>
C.3	<p><i>Number of securities in issue</i></p> <p>As at 30 November 2015 (being the latest practicable date prior to the publication of this document) the issued share capital of the Company comprised 76,429,925 fully paid ordinary shares of 5 pence each.</p>
C.4	<p><i>Description of the rights attaching to the securities</i></p> <p>The New Shares will rank <i>pari passu</i> in all respects with the existing issued Ordinary Shares.</p> <p>Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Ordinary Shares, Shareholders shall have the right to receive notice of and to attend and vote at general meetings of the Company. Subject to the provisions of the Act, the Company may from time to time declare dividends and make other distributions on the Ordinary Shares. Shareholders are entitled to participate in the assets of the Company attributable to their shares in a winding up of the Company or other return of capital.</p>
C.5	<p><i>Restrictions on the rights attaching to the securities</i></p> <p>Not applicable. There are no restrictions on the free transferability of Ordinary Shares.</p>
C.6	<p><i>Admission</i></p> <p>Applications will be made to the UK Listing Authority for the New Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such admissions will become effective, and dealings in the New Shares will commence, during the period from 2 December 2015 to 1 December 2016.</p>
C.7	<p><i>Dividend policy</i></p> <p>The Company invests for capital growth. Any income generated from investments is a by-product of the investment decision. The Company therefore does not have any formal policy to achieve any specified level of dividend.</p>

Section D – Risks

Element	Disclosure
D.1	<p><i>Key information on the key risks specific to the issuer</i></p> <ul style="list-style-type: none"> • Changes in economic conditions and other factors can substantially and adversely affect the value of investments and therefore the Company's performance and prospects. • The past performance of the Company, and of investments managed by the Managers, is not necessarily indicative of future performance. • There is no guarantee that the Company's investment objective will be achieved or

Element	Disclosure
	<p>provide the returns sought by the Company.</p> <ul style="list-style-type: none"> • The value of Japanese securities may be affected by factors not typically associated with investments in the UK. Changes in economic conditions and the political environment in Japan could substantially and adversely affect the Company's prospects and returns. • 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 Company does not track any benchmark. Accordingly, the portfolio of investments held by the Company will not mirror the stocks and weightings that constitute any particular index or indices, which may lead to the Ordinary Shares failing to follow either the direction or extent of any moves in the financial markets generally. • The Company attempts to conduct its business so as to satisfy the conditions to retain approval as an investment trust under section 1158 of the Tax Act. In respect of each accounting period for which approval is retained, the Company will be exempt from United Kingdom taxation on its capital gains. Breach of the tests that a company must meet to retain approval as an investment trust company could lead to the Company being subject to tax on capital gains. • The fair value of equity and other financial securities held in the Company's portfolio fluctuates with market prices. • Some of the Company's financial instruments are interest bearing. As such, the Company is exposed to interest rate risk resulting from fluctuations in the prevailing market rate.
D.3	<p>Key information on the key risks specific to the securities</p> <ul style="list-style-type: none"> • The market value of, and any income derived from, the Ordinary Shares can fluctuate and may not always reflect the Net Asset Value per Ordinary Share. • Although the New Shares will be listed on the Official List and admitted to trading on the Main Market, there may not be a liquid market in the New Shares and Shareholders may have difficulty selling them. • The Company may only pay dividends on the Ordinary Shares to the extent that it has profits (including available reserves) available for that purpose, which will largely depend on the amount of income which the Company receives on its investments and the timing of such receipt. The Company currently has a deficit of approximately £5.8 million in its revenue reserve. As a result, the payment of dividends in the near future is unlikely.

Section E – Offer

Element	Disclosure
E.1	<p>Net proceeds and costs of the Issues</p> <p>The Documentation Costs, which have been or will be borne equally between the Company and the Managers, are approximately £79,000.</p> <p>Assuming that the maximum number of New Shares available for issue under the Issues is issued at an Issue Price of £4.76 (representing a premium of 2 per cent. to the Net Asset Value per Ordinary Share calculated as at close of business on 30 November</p>

Element	Disclosure
	<p>2015), £71.43 million in aggregate would be raised under the Issues. Assuming that the maximum number of New Shares available for issue under the Issues is issued by way of a single Issue, the total costs and expenses of and incidental to the Issues to be borne by the Company will be approximately £182,000, being 0.26 per cent. of the total proceeds of the Issues.</p> <p>Assuming £71.43 million is raised by way of a single Issue, the net proceeds available for investment by the Company will be approximately £71.25 million and these net proceeds will be invested in accordance with the Company's investment policy.</p>
E.2 A	<p><i>Reason for offer and use of proceeds</i></p> <p>Not applicable. No offer.</p> <p>The Issues have been proposed in principle by the Directors to allow the Company to issue New Shares to satisfy demand from investors in the secondary market at times when Ordinary Shares are trading at a premium to the Net Asset Value per Ordinary Share. Accordingly, the issue of New Shares pursuant to the Issues will not result in a dilution of the Net Asset Value per Ordinary Share. The Directors intend to apply the net proceeds of any Issues in accordance with the Company's investment policy.</p> <p>The Company currently has unutilised authority to issue up to 7,582,175 New Shares for cash without offering such shares to existing Shareholders on a pre-emptive basis. If there is continuing demand for New Shares such that the Directors consider the Company could issue more than 7,582,175 New Shares in the period between 1 December 2015 and the date of the Company's next annual general meeting in 2016, the Directors may consider convening a general meeting of the Company to seek additional authority to issue New Shares without offering them to existing Shareholders on a pre-emptive basis.</p>
E.3	<p><i>Terms and conditions of the offer</i></p> <p>Not applicable. No offer.</p> <p>The Company will issue a maximum of 15 million New Shares under the Issues. Each Issue will be conditional upon admission of the relevant New Shares to the Official List and to trading on the Main Market becoming effective.</p>
E.4	<p><i>Material interests</i></p> <p>Not applicable. No interest is material to the Issues.</p>
E.5	<p><i>Name of person selling securities</i></p> <p>Not applicable. No person or entity is offering to sell the securities as part of the Issues.</p>
E.6	<p><i>Dilution</i></p> <p>Not applicable. No offer.</p> <p>New Shares will only be issued at a premium to the Net Asset Value per Ordinary Share (which shall include a premium to cover commissions and expenses associated with such issue). Accordingly, the issue of the New Shares pursuant to the Issues will not result in a dilution of the Net Asset Value per Ordinary Share.</p> <p>In the event that the maximum number of New Shares (being 15 million New Shares) is issued under the Issues, the existing Ordinary Shares as at 30 November 2015 would represent 83.7 per cent. of the enlarged issued share capital.</p>
E.7	<p><i>Expenses charged to the investor</i></p> <p>Not applicable. There are no direct costs charged to the investor.</p>

Element	Disclosure
	<p>The immediate dilution in the Net Asset Value per Ordinary Share arising from the Company's share of the Documentation Costs (on the assumption that no New Shares are issued pursuant to any Issue and based on the Net Asset Value per Ordinary Share as at 30 November 2015) is approximately 0.01 per cent. New Shares will be issued at a level of premium to the Net Asset Value per Ordinary Share (which shall include a premium to cover commissions and expenses associated with such issue) such that, disregarding the Documentation Costs, no Issue is expected to be dilutive to the Net Asset Value per Ordinary Share after taking into account the other costs of the Issues.</p>

RISK FACTORS

The risk factors set out below are those which the Directors consider to be material but are not the only risks relating to the Company or the Ordinary Shares. There may be additional risks that the Directors do not currently consider to be material or which are not presently known to the Directors. Before investing in the Ordinary Shares, potential investors should consult their stockbroker, bank manager, solicitor, accountant or other suitably qualified and independent financial adviser authorised under the Financial Services and Markets Act 2000 if they are in the United Kingdom or, in the case of Overseas Investors, another appropriately authorised financial adviser.

Potential investors should carefully consider all the information in this document, including the following material risk factors in relation to the Company and the Ordinary Shares, before deciding to invest in the Company.

The Company

Changes in economic conditions (including, for example, interest rates and rates of inflation), industry conditions, competition, changes in the law, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect the value of investments and therefore the Company's performance and prospects.

Past performance of the Company, and of investments managed by the Managers, is not necessarily indicative of future performance.

The Ordinary Shares

The market prices of shares in investment trusts fluctuate independently of their net asset value and can be at a discount or premium to the net asset value at different times, depending on supply and demand, market conditions, general investor sentiment, dividend yields, prevailing interest rates and other factors. Accordingly, the market price of the Ordinary Shares may not fully reflect their underlying net asset value.

Ordinary Shares in the Company are designed to be held over the long term and may not be suitable as short term investments. The value of an investment in the Company and any income derived from it, if any, may go down as well as up. An investment in the Ordinary Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which might result from such an investment (which may be equal to the whole amount invested). There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investment. There can be no guarantee that the investment objectives of the Company will be achieved or provide the returns sought by the Company. No assurance can be given that any sale of the Company's investments would realise proceeds which would be sufficient to repay any borrowings or provide funds for any capital repayment to Shareholders. Shareholders will bear the rewards and risks of the success or otherwise of the Company's investments.

The investment returns on the Company's portfolio and the returns from an investment in Ordinary Shares in the future may differ materially from historical returns on the Company's Ordinary Shares and will depend, among other things, on the composition of the Company's portfolio. The past performance of the Company, and of other investments managed by the Managers, is not a guide to future performance.

Although the New Shares will be listed on the premium segment of the Official List and admitted to trading on the Main Market, it is possible that there may not be a liquid market in the New Shares and Shareholders may have difficulty selling them.

Borrowing

The Company may incur borrowings for investment purposes and it has entered into a ¥7,200 million loan facility with ING Bank N.V. and two revolving loan facilities with Scotiabank Europe plc to do so. Whilst the use of borrowings should enhance the total return on the Ordinary Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on the Ordinary Shares. As a result, the use of borrowings by the Company may increase the volatility of the net asset value per Ordinary Share.

There is no guarantee that the borrowings of the Company will be refinanced on their respective maturity dates in November 2017 and August 2020, either on terms that are acceptable to the Company, or at all. In such circumstances the Company may have to sell investments to repay borrowings.

Dividends

The Company does not have any formal dividend policy and has no current intention of paying a dividend on the Ordinary Shares. Dividends may only be paid to the extent that it has profits (including available reserves) available for that purpose, which will largely depend on the amount of income which the Company receives on its investments and the timing of such receipt. The Company currently has a deficit of approximately £5.8 million in its revenue reserve. As a result, the payment of dividends in the near future is unlikely.

If under UK law or accounting rules and standards applicable to the Company there were to be a change to the basis on which dividends could be paid by companies, this could have a negative effect on the Company's ability to pay dividends.

Investment objective and strategy

General

The Company principally invests in the securities of medium and smaller sized Japanese companies and makes other investments with the aim of achieving long term capital growth.

The number, quality and size of investment opportunities, and general market and economic conditions, may lead to delays in investing the net proceeds of the Issues. If equity prices rise or fall significantly before the net proceeds are fully invested, the potential returns available to Shareholders may differ from the returns which would have been available on the Company's existing portfolio.

There is no guarantee that the Company's investment objective will be achieved.

The Company's holdings are generally listed in Japan although the portfolio can also include companies listed elsewhere, including UK investment companies, whose business is predominantly in Japan as well as unlisted companies. As a consequence of these investments, the Company may itself be indirectly exposed to gearing through the borrowings from time to time of these other investment companies. The Company has a policy of not investing more than 15 per cent. of its gross assets in other UK listed investment companies. The net asset value of an Ordinary Share, which is a factor in determining the market value of the Ordinary Shares, will be linked to the underlying share price performance of any such other investment companies.

The portfolio benchmark against which performance is measured is the TOPIX total return (in sterling terms). The portfolio is actively managed and does not seek to track the benchmark and, although sector concentration and thematic characteristics of the portfolio are carefully monitored, there are no maximum limits to deviation from benchmark stock or sector weights. Accordingly, the portfolio of investments held by the Company may not mirror the stock and sector weightings of the benchmark which may lead to the Ordinary Shares failing to follow either the direction or extent of any moves in the benchmark or the financial markets generally (which may or may not be to the advantage of Shareholders).

The Company also invests in medium and smaller capitalised companies. These medium and

smaller capitalised companies do not necessarily have the financial strength, diversity and resources of large-cap companies and, as a result, they may find it more difficult to operate in periods of economic slowdown, recession or turmoil. In addition, the capitalisation of such companies could make the market in their shares less liquid and, as a consequence, the Company may be unable to liquidate all or a portion of its positions in such securities. In addition, the market prices tend to be more volatile and the Company may not be able to realise what it perceives to be their fair value in the event of a sale.

The performance of the Company's investments depends heavily on the skills available to the Managers, including certain key individuals, to manage the investments. The loss of one or more of these individuals could have a material adverse effect on the performance of the Company.

Japan – economic, political and other risks

The value of Japanese securities may be affected by factors not typically associated with investments in the UK. Liquidity and settlement risk of investment in Japanese securities and the accounting standards that apply to Japanese issuers may differ from those that would apply in the UK. A number of factors outside of the control of Company including, changes in economic conditions (for example, inflation, taxation and regulatory protection), law, the political environment, and natural disasters and terrorism in Japan, could substantially and adversely affect the Company's prospects and returns.

Japan – securities risks

The value of the Japanese securities and other securities in which the Company invests may fluctuate and there is no guarantee that the amounts invested by the Company will be returned in whole or in part. Japanese stock markets may experience short term volatility and investment in the Company should be regarded as long term in nature. The Company expects that the portfolio will be primarily concentrated in Japanese securities. Such market concentrations will more heavily expose the Company to volatility and downturns than if the Company was invested across other markets.

Derivatives

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 use of derivatives may lead to higher volatility in the Net Asset Value per Ordinary Share and Ordinary Share price than might otherwise be the case.

Credit and counterparty risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company's principal financial assets are investments, bank balances, cash and other receivables, which represent the Company's exposure to credit risk in relation to financial assets. The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid and to pay for securities which the Company has delivered. Risks relating to unsettled transactions are considered by the Company to be small as a result of the relatively short settlement period involved and the credit quality of the brokers used. Substantially all of the assets of the Company other than cash deposits are held by the Depositary. Bankruptcy or insolvency of the Depositary might cause the Company's rights in respect of the securities held by that Depositary to be delayed or limited. The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings or with ratings that are reviewed by the Managers. Bankruptcy or insolvency of any such financial institution may limit or delay the Company's ability to access cash placed on deposit.

Market price risk

The fair value of equity and other financial securities held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest

rates and by other financial issues including the market perception of future risks.

Interest rate risk

Some of the Company's financial instruments are interest bearing. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

Foreign currency risks

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 Managers monitor the Company's yen exposure (and any other overseas currency exposure) and report to the Board on a regular basis. The Managers assess 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 country in which a company is listed is not necessarily where 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 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.

Discount and premium control

The Board monitors the level of the discount or premium at which the Ordinary Shares trade and the Company has authority to buy-back or issue shares when deemed to be in the best interests of Shareholders as a whole.

The ability of the Company to control the level of discount or premium will depend on the Company being able to buy-back or issue Ordinary Shares, which will be dependent upon Shareholders in general meeting conferring authority on the Board to buy back or issue Ordinary Shares. The Board will seek renewal of these authorities from Shareholders annually and at other times should this prove necessary. However, there can be no guarantee that the requisite Shareholder approvals will be obtained.

The extent to which the Company can buy back and issue Ordinary Shares will be limited to certain percentages of the Company's issued share capital as at the date on which the authorities are granted. In order to continue buying back and issuing Ordinary Shares once any such authorities have been exhausted, the Company would require to renew such authorities from Shareholders in a general meeting.

The ability of the Company to buy back or issue Ordinary Shares will be subject to the Act and all other applicable legislation, rules and regulations of any government, regulatory body or market applicable to the Directors or the Company and, in particular, will be dependent on the availability of distributable reserves.

Cessation of investment trust status

The Company aims to conduct its business so as to continue to satisfy the conditions to retain approval as an investment trust under section 1158 of the Tax Act. The Company has been approved as an investment trust pursuant to the Investment Trust (Approved Company) (Tax) Regulations 2011 and it will therefore continue to have investment trust status in each accounting period going forward, other than to the extent that the Company commits a serious breach of one of the conditions for qualification as an investment trust, and will be exempt from United Kingdom taxation on its capital gains. Breach of the tests that a company must meet to retain approval as an investment trust company could lead to the Company being subject to tax on capital gains which could have a material adverse effect on the financial condition of the Company.

Tax and accounting

Any change in the Company's tax status or in taxation legislation or accounting practice could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of investors are based upon current tax law and practice, which are, in principle, subject to change.

Any change in accounting standards may adversely affect the value of the Company's assets in its books of account or restrict the ability of the Company to pay dividends.

Laws and regulations which may affect the Company

Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect the Company's business, investments and performance. The Company is subject to laws and regulations enacted by national and local government. In addition, the Company is required to comply with certain regulatory requirements which are applicable to closed-ended investment companies (including continuing obligations) whose shares are listed on the premium segment of the Official List. Any change in the laws and regulations affecting the Company, the Managers or the Company's investments may have an adverse effect on the ability of the Company to carry on its business and pursue its investment policy.

IMPORTANT INFORMATION

General

This document should be read in its entirety. New investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or the Managers or any of their respective affiliates, officers, directors, employees or agents. Without prejudice to the Company's obligations under the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules neither the delivery of this document nor any subscription made following receipt of this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

Shareholders must not treat the contents of the document or any subsequent communications from the Company, or the Managers or any of their respective affiliates, officers, directors, employees or agents, as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

Apart from the liabilities and responsibilities (if any) which may be imposed on Dickson Minto W.S. by FSMA or the regulatory regime established thereunder, Dickson Minto W.S. makes no representations, express or implied, or accepts any responsibility whatsoever for the contents of this document nor for any other statement made or purported to be made by it or on its behalf in connection with the Company, the New Shares or the Issues. Dickson Minto W.S. accordingly disclaims all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which it might otherwise have in respect of this document or any such statement.

All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles of the Company.

If you are in doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant, legal or professional adviser or other financial adviser.

Regulatory information

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, New Shares in any jurisdiction in which such offer or solicitation is unlawful. The issue or circulation of this document may be prohibited in some countries.

Investment considerations

The contents of this document are not to be construed as advice relating to legal, financial, taxation, accounting, regulatory, investment decisions or any other matter. Prospective investors must inform themselves as to (i) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Ordinary Shares; (ii) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and (iii) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares.

Prospective investors must rely on their own representatives, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment therein.

It should be remembered that the price of an Ordinary Share, and the income from such Ordinary Shares (if any), can go down as well as up. An investment in Ordinary Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as long term in nature and complementary to existing investments in a range of other financial assets.

Forward looking statements

To the extent that this document includes "forward looking statements" concerning the Company, those statements are based on the current expectations of the Board and are naturally subject to uncertainty and changes in circumstances. Forward looking statements include, without limitation, statements typically containing words such as "intends", "expects", "anticipates", "targets", "estimates" and words of similar import.

By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Given these risks and uncertainties, potential investors should not place undue reliance on forward looking statements as a prediction of actual results.

Nothing in the preceding two paragraphs seeks to limit or qualify, in any way, the working capital statement in paragraph 8 of Part 4 of this document.

The Company does not undertake any obligation to update publicly or revise forward looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Information in this document will be updated as required by the Prospectus Rules, Listing Rules and Disclosure and Transparency Rules, as appropriate.

Latest practicable date

In this document, where the context requires, references to 30 November 2015 should be treated as being references to the latest practicable date prior to the publication of this document.

Documents incorporated by reference

The published annual report and accounts of the Company for the three financial years ended 31 August 2015 on the pages specified in the table below are incorporated by reference into this document. The non-incorporated parts of these annual report and accounts of the Company are either not relevant to investors or are covered elsewhere in this document.

Nature of information	<i>Statutory Accounts for Year ended</i>		
	<i>31 August 2013</i> Page No.	<i>31 August 2014</i> Page No.	<i>31 August 2015</i> Page No.
Financial Summary	1	1	1
Performance Summary	2 - 3	3	3
Ten Year Record	4	5	5
Chairman's Statement	5	2	2
Managers' Report	7-8	8-9	8-9
List of Investments	14-15	16-17	16-17
Independent Auditors' Report	25	29-31	30-32
Income Statement	26	32	33
Balance Sheet	27	33	34
Reconciliation of Movements in Shareholders' Funds	28	34	35
Cash Flow Statement	29	35	36
Notes to the Financial Statements	30-39	36-45	37-46

The documents incorporated by reference can be obtained from the Company's website, www.japantrustplc.co.uk, and as set out in paragraph 11 of Part 6 of this document.

EXPECTED TIMETABLE

	<i>Date</i>
Admission and dealings in New Shares commence	2 December 2015 to 1 December 2016
Publication of Issue Price in respect of each Issue	As soon as practicable following each Issue
Crediting of CREST accounts in respect of New Shares	8.00 a.m. on each day New Shares are issued
Share certificates in respect of New Shares despatched (if applicable)	Approximately one week following the issue of any New Shares

Notes:

New Shares will be issued pursuant to the Issues only at such times (if any) as the Directors believe it is advantageous to the Company's Shareholders to do so. New Shares will be issued pursuant to the Issues only during the period commencing at 8.00 a.m. on 2 December 2015 and ending at 5.00 p.m. on 1 December 2016.

DEFINITIONS

In this document, the words and expressions listed below have the meanings set out opposite them (except where the context otherwise requires):

Act	the Companies Act 2006 (as amended)
Admission	in respect of New Shares, the admission of such New Shares to the Official List and to trading on the Main Market
AIC	the Association of Investment Companies
AIC Code	the Association of Investment Companies Code of Corporate Governance
AIFM Directive	Directive 2011/61/EU of the European Parliament and of the Council
Articles	the articles of association of the Company, as amended from time to time
Auditors	PricewaterhouseCoopers LLP
Australia	the Commonwealth of Australia, its territories and possessions and all areas under its jurisdiction and political sub-divisions thereof
Calculation Time	in respect of each Issue, the time of the conclusion of the agreement to effect such Issue
Canada	Canada, its provinces and territories and all areas under its jurisdiction and political sub-divisions thereof
Company or The Baillie Gifford Japan Trust	The Baillie Gifford Japan Trust PLC, a company incorporated in Scotland (registered number SC075954), whose registered office is at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Corporate Broker	Canaccord Genuity Limited, a company incorporated in England and Wales (registered number 01774003), whose registered office is at 9th Floor, 88 Wood Street, London, EC2V 7QR
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended
Depository	BNY Mellon Trust & Depository (UK) Limited, a company incorporated in England and Wales (registered number 03588058), whose registered office is at 160 Queen Victoria Street, London EC4V 4LA
Depository Agreement	the depository agreement dated 23 June 2014 between the Company and the Depository, further details of which are set out in paragraph 8.2 of Part 6 of this document
Directors or Board	the directors of the Company
Disclosure and Transparency Rules	the disclosure rules and transparency rules made by the FCA under Part VI of FSMA, as amended from time to time
Documentation Costs	the aggregate costs of and incidental to the publication of this document
EEA States	the member states of the European Economic Area
Euroclear	Euroclear UK & Ireland Limited
fair value	the amount for which an asset or liability could be exchanged in an arm's length transaction between unrelated, willing parties

FCA	the Financial Conduct Authority
FSMA	the Financial Services and Markets Act 2000 (as amended)
Investment Management Agreement	the investment management agreement dated 14 May 2014 between the Company and the AIFM, further details of which are set out in paragraph 8.1 of Part 6 of this document
ISA	an individual savings account for the purposes of section 694 of the Income Tax (Trading and Other Income) Act 2005
Issue	an issue of Ordinary Shares at the Issue Price for such issue, as described in this document
Issue Price	the price at which New Shares are to be issued under any Issue, which will be determined as explained in Part 3 of this document
Japan	Japan, its cities, prefectures, territories and possessions
Listing Rules	the listing rules made by the FCA under Part VI of FSMA, as amended from time to time
London Stock Exchange	London Stock Exchange plc
Main Market	the London Stock Exchange's main market for listed securities
Managers or AIFM or Secretaries	Baillie Gifford & Co Limited, a company incorporated in Scotland (registered number SC069524), whose registered office is at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
Net Asset Value per Ordinary Share	the prevailing net asset value per Ordinary Share from time to time, calculated in accordance with the Company's normal accounting policies
New Shares	the new Ordinary Shares to be issued pursuant to any Issue
Official List	the official list of the UK Listing Authority
Ordinary Shares	ordinary shares of 5 pence each in the capital of the Company
Overseas Investor	a person who is not resident in, or who is outside or who has a registered address outside, the United Kingdom
Portfolio Managers or Baillie Gifford & Co	Baillie Gifford & Co, a Scottish partnership having its principal place of business at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN
PRA	the Prudential Regulation Authority
Prospectus	this document
Prospectus Rules	the prospectus rules made by the FCA under Part VI of FSMA, as amended from time to time
Registrar	Computershare Investor Services PLC, a company incorporated in England and Wales (registered number 03498808), whose registered office is at The Pavilions, Bridgwater Road, Bristol BS13 8AE
Regulatory Information Service	a regulatory information service that is on the list of regulatory information services maintained by the FCA
Shareholder	a holder of Ordinary Shares
SIPP	a self-invested personal pension plan

SSAS	a small self-administered pension scheme
Takeover Code	the City Code on Takeovers and Mergers
Tax Act	the Corporation Tax Act 2010
TCGA	the Taxation of Chargeable Gains Act 1992
TOPIX	Tokyo Stock Exchange Tokyo Price Index
UK Code	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time
UK Listing Authority or UKLA	the FCA, acting in its capacity as the competent authority for the purposes of Part VI of FSMA
United States or USA	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

DIRECTORS, MANAGERS AND OTHER ADVISERS

Directors	Nicholas Alastair Charles Bannerman (<i>Chairman</i>) Paul Stephen Dimond James Keith Ross Falconer David Paul Kidd Martin Harley Paling all non-executive and of Calton Square 1 Greenside Row Edinburgh EH1 3AN
Registered Office	Calton Square 1 Greenside Row Edinburgh EH1 3AN
Managers, AIFM and Company Secretaries	Baillie Gifford & Co Limited Calton Square 1 Greenside Row Edinburgh EH1 3AN
Portfolio Managers	Baillie Gifford & Co Calton Square 1 Greenside Row Edinburgh EH1 3AN
Solicitor and Sponsor to the Company in relation to the Issues	Dickson Minto W.S. 16 Charlotte Square Edinburgh EH2 4DF
Corporate Broker	Canaccord Genuity Limited 9th Floor 88 Wood Street London EC2V 7QR
Auditors	PricewaterhouseCoopers LLP Level 4 Atria One 144 Morrison Street Edinburgh EH3 8EX
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
Depository	BNY Mellon Trust & Depositary (UK) Limited 160 Queen Victoria Street London EC4V 4LA

PART 1

THE BAILLIE GIFFORD JAPAN TRUST PLC

Introduction

The Baillie Gifford Japan Trust PLC, which was launched in 1981, is an investment trust company whose objective is to achieve long term capital growth principally through investment in medium to smaller sized Japanese companies which are believed to have above average prospects for growth, although it invests in larger companies when considered appropriate.

The executive responsibilities for investment management of the Company's assets have been delegated to the Managers who have further delegated portfolio management services to the Portfolio Managers. They are the responsibility of Sarah Whitley, in particular. As explained further in the section entitled "*Managerial, administration and depositary arrangements*" in Part 2 of this document, certain key matters have been expressly reserved to the Board.

Background to the Issues

As explained in the section entitled "Discount and premium control" in this Part 1 below, the Directors have and intend to annually renew Shareholder authorities to issue and buy back Ordinary Shares. The Directors believe that exercising the ability to issue Ordinary Shares at a premium and to buy back Ordinary Shares at a discount to the Net Asset Value per Ordinary Share are useful tools in smoothing the supply and demand for the Ordinary Shares, thus moderating the divergence of the Company's share price from the Net Asset Value per Ordinary Share.

The Prospectus Rules provide that, where a company wishes to apply for the admission to trading on a regulated market of shares representing, over a period of 12 months, 10 per cent. or more of that company's shares which are already admitted to trading on that regulated market, then the company concerned is required to issue a prospectus. The Company has been issuing Ordinary Shares throughout the 12 months prior to the date of this document and is close to exhausting the 10 per cent. limit. In view of the level of demand for the Company's Ordinary Shares, the publication of this document is necessary in order to allow the Company to continue to issue Ordinary Shares at a premium to the Net Asset Value per Ordinary Share where demand exceeds supply. The Board considers that the Company's continuing ability to issue Ordinary Shares at a premium in order to prevent the building up of excessive demand for the Ordinary Shares is necessary to reduce the risk of volatility in the price of an Ordinary Share relative to its net asset value.

The New Shares to be admitted pursuant to this document will be issued only (i) at a premium to net asset value (which shall include a premium to cover commissions and expenses associated with such issue); (ii) to meet demand from investors; and (iii) when the Directors believe that it is in the best interests of the Company to do so.

The Company currently has unutilised authority to issue up to 7,582,175 New Shares for cash without offering such shares to existing shareholders on a pre-emptive basis. If there is continuing demand for New Shares such that the Directors consider the Company could issue more than 7,582,175 New Shares in the period between 2 December 2015 and the next annual general meeting, the Directors may consider convening a general meeting of the Company to seek additional authority to issue New Shares without offering them to existing Shareholders on a pre-emptive basis.

Investment objective and policy

Investment objective

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

Investment policy

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

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

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

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

On acquisition, no more than 15 per cent. 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 per cent. 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.

Any material change in the Company's investment policy will require the approval of Shareholders at a general meeting. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions which will be taken to rectify the breach.

Investment outlook

The Managers believe that there are three key forces driving changes in Japan at the moment: improving corporate governance, the tightening of the labour market and increasing inbound tourism. In 2014, Japan introduced a new stewardship code encouraging institutional investors to constructively engage with the companies they invest in and, in June 2015, a new Corporate Governance Code was introduced. The Managers believe that there will be fundamental change in the attitude towards shareholders over a five year period and that this should lead to lower cash holdings on balance sheets and increasing dividends along with investment for growth.

Capital structure

The Company's share capital comprises only of Ordinary Shares, all of which are listed on the premium segment of the Official List and admitted to trading on the Main Market. Shareholders are therefore entitled to such dividends (if any) as are declared by the Company and are entitled, on a return of capital on a winding up or otherwise, to all undistributed revenue of the Company and to the residual capital of the Company which remains after satisfying any liabilities.

At the annual general meeting of the Company held on 30 November 2015, the Directors were granted authority to allot up to 25,273,916 Ordinary Shares. The provisions of the Act which would confer pre-emption rights in respect of such allotments were also disapplied in respect of the allotment or issue out of treasury of up to 7,582,175 Ordinary Shares for the period up until the

conclusion of the next annual general meeting of the Company or on the expiry of 15 months from the passing of the resolution, whichever is earlier. As at the date of this document, none of such shares had been issued and accordingly the Directors' remaining authority to issue new Ordinary Shares on a non- pre-emptive basis for cash extends to 7,582,175 Ordinary Shares.

The Company currently has borrowings of, in aggregate, approximately ¥10.2 billion (being approximately £55 million as at the date of this document).

Dividend policy

The Company invests for capital growth. Any income generated from investments is a by-product of the investment decision. The Company therefore does not have any formal policy to achieve any specified level of dividend.

Discount and premium control

Investment trusts, particularly those investing in specialist or niche markets, have long suffered from discount volatility to net asset value. Sometimes, too, the shares of individual investment trusts sell at a significant premium to net asset value. This can put those investing regularly through investment plans at a disadvantage because they may find themselves buying shares at a sizeable premium which almost certainly will not be sustained and which will therefore have an adverse effect on the return from their investment.

In view of this, the Company seeks the power to issue Ordinary Shares when demand exceeds supply and buy back Ordinary Shares when the Directors consider it appropriate.

The Directors have been given authority, in accordance with the Act, by Shareholders to allot new Ordinary Shares for cash on a non-pre-emptive basis. Further details of this authority are set out in paragraph 2.4 of Part 6 of this document. The Directors will seek renewals of this authority annually and at other times should this prove necessary.

The New Shares to be admitted pursuant to this document will be issued only (i) at a premium to net asset value (which shall include a premium to cover commissions and expenses associated with such issue); (ii) to meet demand from investors; and (iii) when the Directors believe that it is in the best interests of the Company to do so.

At the Company's most recent annual general meeting on 30 November 2015, the Company was granted the authority to buy back up to 11,365,680 Ordinary Shares. As at the date of this document, the Company has not purchased any Ordinary Shares pursuant to this authority. The Directors will seek renewal of this authority from Shareholders annually and at other times should this prove necessary. Any buy-back of Ordinary Shares will be made subject to the Act and within guidelines established from time to time by the Board and the making and timing of any buy backs will be at the absolute discretion of the Board. The Directors are authorised to cancel any Ordinary Shares purchased under this authority or to hold them in treasury. Purchases of Ordinary Shares will be made only through the market for cash at prices below the prevailing net asset value of the Ordinary Shares (as last published). Such purchases will also be made only in accordance with the rules of the UK Listing Authority, which provide that the price to be paid must not be more than 5 per cent. above the average of the middle market quotations for the Ordinary Shares for the five business days before the purchase is made, or less than the nominal value of an Ordinary Share.

It is the intention of the Directors that the share buy-back authority will be used to purchase Ordinary Shares if the middle market price for an Ordinary Share is below the Net Asset Value per Ordinary Share from time to time and the Directors consider it appropriate. However, this will not require the Directors to take any steps that would require the Company to make a tender offer for its Ordinary Shares. Shareholders are referred to the risk factors on pages 12 to 16 of this document.

PART 2

DIRECTORS, MANAGERS AND ADMINISTRATION OF THE COMPANY

Directors

The Directors, each of whom is non-executive and independent of the Managers, are responsible for the determination of the investment policy of the Company and its overall supervision. In addition, certain key matters have been expressly reserved to the Board, as explained further in the section entitled "*Managerial, administration and depositary arrangements*" below. The Directors are as follows:

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

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

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

David Kidd: Mr Kidd was appointed a Director on 30 November 2015. He is a director of The Law Debenture Pension Trust Corporation P.L.C, which acts as independent trustee for over 200 pension schemes including many FTSE-100 companies. He has over 30 years investment management experience, having been chief investment officer of the Royal Bank of Scotland's investment management arm, the charity specialists Chiswell Associates and the private bank Arbuthnot Latham. He is a non-executive director of Martin Currie Global Portfolio Trust plc, The Salvation Army International Trustee Company and a director of The Golden Charter Trust Ltd.

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

Managers

The Company is managed by Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, W.S., which had been involved in investment management since 1908. Baillie Gifford & Co is one of the largest investment trust managers in the UK and currently manages seven investment trusts. Baillie Gifford & Co also manages 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 & Co totalled around £115 billion as at 7 October 2015. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 40 partners and a staff of around 860.

Sarah Whitley, who has principal responsibility for the day-to-day management of the Company's portfolio, joined Baillie Gifford & Co in 1980 and has been managing Japanese equities since 1982. She became Head of the Japanese Equity Team in 2001. There are currently eight people in Baillie Gifford's Japanese Equity Team.

Managerial, administration and depositary arrangements

Managerial arrangements

The Board has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its alternative investment fund manager in accordance with the AIFM Directive under the Investment Management Agreement. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. The Investment Management Agreement is terminable by either party on six months' notice or on shorter notice in certain circumstances. The annual management fee which is payable to the Managers in accordance with the Investment Management Agreement is based on the net assets of the Company attributable to Shareholder and is 0.95 per cent. on the first £50 million of net assets and 0.65 per cent. on the remaining net assets. Management fees are calculated and payable on a quarterly basis.

Further details of the terms of the Investment Management Agreement are set out in paragraph 8.1 of Part 6 of this document.

Administration arrangements

All secretarial and administrative services are provided by Baillie Gifford & Co Limited and the costs of these services are included in the management fee.

Depositary arrangements

BNY Mellon Trust & Depositary (UK) Limited has been appointed as the Company's Depositary. The Depositary is responsible for, amongst other things, the safe keeping of the Company's assets. The Depositary has delegated this activity to the custodian, The Bank of New York Mellon SA/NV, London Branch. The Depositary has arranged for the custodian (and sub-custodians as necessary) to hold the Company's financial instruments and settles (directly or through sub-custodians) all transactions relating to those financial instruments on behalf of the Company. The annual fee payable to the Depositary is 0.015 per cent. of total assets of the Company less liabilities (other than borrowing) subject to a minimum of £10,000.

Further details of the terms of the Depositary Agreement are set out in paragraph 8.2 of Part 6 of this document.

Delegation of authority

The Directors have adopted a formal schedule of matters reserved for the Board which cannot be delegated to a committee or to any other party. These reserved matters include approval of (i) annual and interim reports and financial statements; (ii) circulars and other Shareholder communications; (iii) Board appointments and removals; (iv) changes to the Company's objectives and accounting policies; and (v) the use of borrowing.

The Board delegates decisions regarding the day-to-day investment of the Company's portfolio to the Portfolio Managers. Representatives from the Portfolio Managers attend Board meetings and report to the Board on investments and operational matters.

Annual expenses

The Company has incurred, and will continue to incur, administrative expenses, including, *inter alia*, audit fees, Directors' fees, depositary fees, regulatory fees, directors' and officers' liability insurance premiums and printing costs.

It is estimated that the total expenses of the Company for the financial year ending 31 August 2016 will not exceed £4.1 million, being 1.15 per cent. of Shareholders' funds as at 30 November 2015.

Accounting policies

In addition to all of the Company's other operating expenses, the Company charges 100 per cent. of the management fees to revenue.

Corporate governance

The Chairman and each of the Directors is independent of the Managers and each of the Directors is non-executive. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The executive responsibilities for investment management have been delegated to the Managers. There is, therefore, no chief executive officer.

The Board is committed to achieving and demonstrating high standards of corporate governance. The Board therefore places considerable emphasis on running the Company in a way it believes is best suited to the successful management of an investment trust on behalf of its Shareholders.

Arrangements in respect of corporate governance, appropriate to an investment trust, have been made by the Board. The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations which are of specific relevance to investment trusts.

The Company complied in its most recent financial year, and continues to comply, with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as disclosed below.

The Board

The Board is of the view that length of service will not necessarily compromise the independence or contribution of Directors of an investment trust company, where continuity and experience can be of benefit to the Board. The Board concurs with the view expressed in the AIC Code that "independence stems from the ability to make those objective decisions that may be in conflict with the interests of management". Directors are, however, required to retire and, if appropriate, seek re-election at least every three years. Directors who have more than nine years' service submit themselves for re-election annually. The Board is not controlled by long serving Directors. Mr Bannerman and Mr Dimond have each served on the Board for more than nine years. The Board strongly believes that their independence and contribution to the Board has not been compromised by their length of service and that this has been evidenced by their actions and decisions. The Board considers that none of the Directors' other commitments interfere with the discharge of their duties to the Company and the Board is satisfied that they are capable of devoting sufficient time to the Company.

The UK Code provides that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors. In order to review its effectiveness, an appraisal of the Chairman, each Director and a performance evaluation and review of the Board as a whole and its committees are undertaken. The Chairman meets individually with each Director after they complete a performance evaluation questionnaire. The other non-executive Directors review the Chairman's performance.

The appraisals and evaluations consider, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and its committees.

Audit committee

The audit committee, chaired by Mr Falconer and consisting of all of the other Directors, meets at least twice per year. The principal role of the audit committee is to monitor and review the integrity of the half-yearly and annual financial statements and any formal announcements relating to the Company's performance. The audit committee also reviews the adequacy and effectiveness of internal control and risk management systems, the terms of appointment of the auditors (including their remuneration), the independence, objectivity and the effectiveness of the external auditors and the terms under which they are appointed to perform non-audit services.

Nomination committee

The nomination committee, chaired by the Chairman of the Board and comprising the whole Board, considers the appointment of new Directors. The nomination committee meets at least annually.

Management engagement committee

The Board as a whole fulfils the function of the management engagement committee.

Remuneration committee

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.

Conflicts of interest

The Managers, the Portfolio Managers and their officers and employees may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, the Managers may provide investment management, investment advice or other services in relation to a number of funds that may have similar investment policies to that of the Company.

The Managers and the Portfolio Managers will have regard to their obligations under the Investment Management Agreement or otherwise to act in the best interests of the Company, so far as is practicable having regard to their obligations to other clients or funds, should potential conflicts of interest arise.

The Managers and the Portfolio Managers have put in place effective organisational and administrative arrangements to ensure that reasonable steps are taken to prevent a conflict giving rise to a material risk of damage to the interests of their clients. In addition, where the Managers pay or accept any fee or commission, or provide or receive any non-monetary benefit in relation to their investment services, the Managers take care to ensure that such benefits do not place them or any third party firm in a situation which would not be in compliance with the general duty to act in accordance with the best interests of their clients.

The Managers and the Portfolio Managers maintain a firm-wide conflicts matrix which identifies conflicts and potential conflicts of interest that exist within the firm, and the procedures and controls that have been adopted to manage these conflicts. This is subject to annual review and approval by the compliance committee.

Reports to Shareholders and net asset values

The annual report and accounts of the Company are made up to 31 August in each year. The Company's annual report and accounts are prepared in accordance with the United Kingdom Generally Accepted Accounting Practice. However, the Company will adopt FRS 102 in respect of its annual report and accounts for the financial year ended 31 August 2016. Copies of the annual report and accounts are sent to Shareholders in October of each year and annual general meetings of the Company are held in November or December of each year. Shareholders also receive an

unaudited interim report covering the first six months of each financial year of the Company.

The net asset value of an Ordinary Share is calculated by the Company in accordance with the Company's accounting policies and is published daily through a Regulatory Information Service. The calculation of the Net Asset Value per Ordinary Share will be suspended only in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

Taxation

The Company has been approved by HM Revenue & Customs as an investment trust. The Directors believe that the affairs of the Company have been conducted so as to continue to satisfy the conditions to qualify as an investment trust under section 1158 of the Tax Act and the Company will be exempt from UK taxation on its capital gains. The Company will, however, be liable to UK corporation tax on its income in the normal way, with dividend income generally being exempt from corporation tax. Income arising from overseas investments may be subject to foreign withholding taxes at varying rates but double taxation relief may be available on overseas income.

A guide to the general UK taxation position as at the date of this document is set out in Part 5 of this document.

If you are in any doubt as to your taxation position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

PART 3

DETAILS OF THE ISSUES

The Issues

General

New Shares will be issued pursuant to the Issues only for the purpose of controlling the premium at which the Company trades and to take the opportunity to increase the size of the Company in a manner which enhances the Net Asset Value per Ordinary Share for Shareholders. The New Shares to be admitted pursuant to this Prospectus will be issued only (i) at a premium to net asset value (which shall include a premium to cover commissions and expenses associated with such issue); (ii) to meet demand from investors; and (iii) when the Directors believe that it is in the best interests of the Company to do so. New Shares will be issued pursuant to the Issues only during the period commencing at 8.00 a.m. on 2 December 2015 and ending at 5.00 p.m. on 1 December 2016. However, the Company will continue its aim of monitoring and controlling the discount/premium at which the Ordinary Shares trade following the expiry of this period and may seek to issue further prospectuses as and when required under the Prospectus Rules.

The Company will issue a maximum of 15 million New Shares, in aggregate, under the Issues. Each Issue will be conditional upon admission of the relevant New Shares to the Official List and to trading on the Main Market becoming effective. None of the Issues will be underwritten.

The Company currently has unutilised authority to issue up to 7,582,175 New Shares for cash without offering such shares to existing Shareholders on a pre-emptive basis. If there is continuing demand for New Shares such that the Directors consider the Company could issue more than 7,582,175 New Shares in the period between 2 December 2015 and the next annual general meeting, the Directors may consider convening a general meeting of the Company to seek additional authority to issue New Shares without offering them to existing Shareholders on a pre-emptive basis.

The Issues have been proposed in principle by the Directors to allow the Company to issue New Shares to satisfy demand from investors at times when Ordinary Shares are trading at a premium to the Net Asset Value per Ordinary Share. Accordingly, the issue of New Shares pursuant to the Issues will not result in a dilution of the Net Asset Value per Ordinary Share. The Directors intend to apply the net proceeds of any Issues in accordance with the Company's investment policy.

The New Shares will rank *pari passu* in all respects with the existing issued Ordinary Shares.

The Directors believe that the typical investors for whom an investment in the Company is intended are professionally advised private investors, institutional investors or those individuals who are prepared to tolerate a degree of risk or potential for loss, investing for long term capital growth from investments principally in medium and smaller sized Japanese companies which are believed to have above average prospects for growth. In the event that the maximum number of New Shares (being 15 million New Shares) is issued under the Issues, the existing Ordinary Shares as at 30 November 2015 would represent 83.7 per cent. of the enlarged issued share capital. The New Shares will typically be issued to or through the Company's broker on behalf of the Company to meet demand from investors in the secondary market.

Issue Price

The Issue Price of each Issue will be determined by the Board at the time of such Issue. It is expected that the Issue Price will be at or around the market price of an Ordinary Share as at the relevant Calculation Time and will be at a level of premium to the Net Asset Value per Ordinary Share (which shall include a premium to cover commissions and expenses associated with such issue) such that, disregarding the Documentation Costs, no Issue is expected to be dilutive to the Net Asset Value per Ordinary Share after taking into account the other costs of such Issue.

The Net Asset Value per Ordinary Share will be calculated in accordance with the Company's

normal accounting policies. The Issue Price of each Issue will be announced through a Regulatory Information Service as soon as practicable following each Issue.

Listing and dealing

Issues will be made only in the circumstances described in the paragraph headed "*General*" above. Where Issues are effected, it is expected that New Shares will be admitted to the Official List of the UKLA and to trading on the Main Market not later than the fourth business day following the Board's resolution to allot those New Shares. No dealings will commence before the relevant date of Admission.

New Shares issued pursuant to the Issues will be issued in registered form and may be held either in certificated form or settled through CREST. It is expected that definitive certificates in respect of New Shares will, where requested, be despatched by post in the week following the issue of the relevant New Shares. Temporary documents of title will not be issued. Pending despatch of such certificates, transfers will be certified against the register. Dealings in New Shares are expected to commence at the earliest at 8.00 a.m. on 2 December 2015 and no later than 5.00 p.m. on 1 December 2016. The Issues cannot be revoked after dealings in the relevant New Shares have commenced. The ISIN for the New Shares is GB0000485838.

Costs of the Issues

The Documentation Costs, which have been or will be borne equally between the Company and the Managers, are approximately £79,000.

The immediate dilution in the Net Asset Value per Ordinary Share arising from the Company's share of the Documentation Costs (on the assumption that no New Shares are issued pursuant to any Issue and based on the Net Asset Value per Ordinary Share as at 30 November 2015) is approximately 0.01 per cent. New Shares will be issued at a level of premium to the Net Asset Value per Ordinary Share (which shall include a premium to cover commissions and expenses associated with such issue) such that, disregarding the Documentation Costs, no Issue is expected to be dilutive to the Net Asset Value per Ordinary Share after taking into account the other costs of the Issues.

PART 4

FINANCIAL INFORMATION (INCLUDING PORTFOLIO INFORMATION)

1. Introduction

Statutory accounts of the Company (prepared in accordance with United Kingdom law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)) for the three financial years ended 31 August 2013, 31 August 2014 and 31 August 2015, in respect of which the Company's auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, Level 4, Atria One, 144 Morrison Street, Edinburgh EH3 8EX, who are members of the Institute of Chartered Accountants in England and Wales, made an unqualified report under section 495 or section 497 of the Act, did not contain any statement under section 498(2) or (3) of the Act. The Company will adopt FRS 102 in respect of its statutory accounts for the financial year ended 31 August 2016. The statutory accounts of the Company for the three financial years ended 31 August 2013, 31 August 2014 and 31 August 2015 have been prepared in a manner which is consistent with that which will be adopted in the next annual statutory accounts of the Company (to be prepared in accordance with FRS 102) having regard to accounting standards, policies and legislation applicable to such annual financial statements in so far as there are no material differences between the financial statements for these years prepared under these two accounting frameworks. Copies of the statutory accounts of the Company for the three financial years ended 31 August 2013, 31 August 2014 and 31 August 2015 are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW and the registered office of the Company, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN until 1 December 2016.

2. Historical financial information

Historical financial information relating to the Company on the matters referred to below is included in the published annual report and audited accounts of the Company for the three financial years ended 31 August 2013, 31 August 2014 and 31 August 2015 as set out in the table below and is expressly incorporated by reference into this document. The non-incorporated parts of these annual reports of the Company are either not relevant to investors or covered elsewhere in this document.

Nature of information	Statutory Accounts for Year ended		
	31 August 2013 Page No.	31 August 2014 Page No.	31 August 2015 Page No.
Financial Summary	1	1	1
Performance Summary	2-3	3	3
Ten Year Record	4	5	5
Chairman's Statement	5	2	2
Managers' Report	7-8	8-9	8-9
List of Investments	14-15	16-17	16-17
Independent Auditors' Report	25	29-31	30-32
Income Statement	26	32	33
Balance Sheet	27	33	34
Reconciliation of Movements in Shareholders' Funds	28	34	35
Cash Flow Statement	29	35	36
Notes to the Financial Statements	30-39	36-45	37-46

3. Selected financial information

The information in this paragraph 3 is information regarding the Company which has been prepared by the Company and has been extracted directly from the historical financial information referred to in paragraph 2 of this Part 4. Selected historical financial information relating to the Company which summarises the financial condition of the Company for the three financial years ended 31 August 2013, 31 August 2014 and 31 August 2015 is set out in the following table:

	<i>Year ended 31 August 2013</i>	<i>Year ended 31 August 2014</i>	<i>Year ended 31 August 2015</i>
Net asset value			
Net assets (£'000)	210,375	248,714	323,153
Net asset value per Ordinary Share (£)	3.235	3.587	4.302
Ordinary Share price (£)	3.179	3.523	4.448
Income			
Revenue return after expenses and taxation (£'000)	141	322	199
Revenue return per Ordinary Share (£)	0.22	0.47	0.28
Dividend per Ordinary Share (£)	n/a	n/a	n/a
Ongoing charges			
As a percentage of average total Shareholders' funds	1.13%	0.90%	0.90%
Portfolio summary			
Shareholders' funds (£'000)	210,400	248,700	323,200
NAV/share price returns			
Net asset value return	48.9%	10.9%	19.9%
Ordinary Share price return	61.4%	10.8%	26.3%

4. Operating and financial review

A description of changes in the performance of the Company, both capital and revenue, and changes to the Company's portfolio of investments is set out in the sections headed "Chairman's Statement", "Managers' Report" and "List of Investments" in the published statutory accounts of the Company as follows:

Nature of information	<i>Statutory Accounts for Year ended</i>		
	<i>31 August 2013 Page No.</i>	<i>31 August 2014 Page No.</i>	<i>31 August 2015 Page No.</i>
Chairman's Statement	5	2	2
Managers' Report	7-8	8-9	8-9
List of Investments	14-15	16-17	16-17

5. Significant change

Since 31 August 2015 (being the end of the last financial period of the Company for which financial information has been published), there has been no significant change in the financial or trading position of the Company other than the increase in the Net Asset Value per Ordinary Share from £4.302 to £4.669 as at 30 November 2015.

6. Net proceeds and expenses of the Issues

Assuming that the maximum number of New Shares available for issue under the Issues is issued at an Issue Price of £4.76 (representing a premium of 2 per cent. to the Net Asset Value per Ordinary Share calculated as at close of business on 30 November 2015), £71.43 million in aggregate would be raised under the Issues. Assuming that the maximum number of New Shares available for issue under the Issues is issued by way of a single Issue, the total costs and expenses of and incidental to the Issues borne by the Company will be approximately £182,000, being 0.26 per cent. of the total proceeds of the Issues.

Assuming £71.43 million is raised by way of a single Issue, the net proceeds available for investment by the Company will be approximately £71.25 million and these net proceeds will be invested in accordance with the Company's investment policy.

7. Capitalisation and indebtedness

The following table sets out the capitalisation and indebtedness of the Company (distinguishing between guaranteed and unguaranteed, and secured and unsecured indebtedness) as at 30 November 2015 (the information in the table below being unaudited financial information extracted from internal management accounting records):

	<i>30 November 2015</i> <i>(£'000)</i>
Total current debt	
– Guaranteed	-
– Secured	-
– Unguaranteed/unsecured	16,166
Total non-current debt	
– Guaranteed	-
– Secured	-
– Unguaranteed/unsecured	38,799
Shareholders' equity	
– Share capital	3,821
– Legal reserves (excl. revenue reserves)	78,904
– Other reserves (excl. revenue reserves)	203
Total	<hr/> <hr/> 137,893

The following table shows the Company's capitalisation and indebtedness as at 30 November 2015 (the information in the table being unaudited financial information extracted from internal management accounting records):

	£'000
A. Cash	6,021
B. Cash equivalent	-
C. Trading securities	-
D. Liquidity (A+B+C)	6,021
E. Current financial receivable	992
F. Current bank debt	16,166
G. Current portion of non-current debt	-
H. Other current financial debt	-
I. Current financial debt (F+G+H)	16,166
J. Net current financial indebtedness (I-E-D)	9,153
K. Non-current bank loans	38,799
L. Bonds issued	-
M. Other non-current loans	-
N. Non-current financial indebtedness (K+L+M)	38,799
O. Net financial indebtedness (J+N)	47,952

8. Working capital

The Company is of the opinion that, taking into account the existing bank facilities and cash resources, the working capital available to the Company is sufficient for the Company's present requirements (that is, for at least the next 12 months from the date of this document).

9. Net Asset Value

The unaudited Net Asset Value per Ordinary Share as at 30 November 2015 was £4.669 including current income.

10. Analysis of investment portfolio

As at 30 November 2015 (being the latest practicable date prior to the publication of this document), the Company's portfolio comprised investments with an aggregate unaudited value, calculated in accordance with the Company's accounting policies, of £407.1 million. The following tables show the distribution of the portfolio by asset class and sector as at 30 November 2015.

<i>By asset class</i>	<i>% of Total Assets</i>
Listed equities	98.9
Net current assets	1.1
	<hr style="width: 100%; border: 0.5px solid black;"/> <u>100.0</u>

<i>By sector</i>	<i>Valuation (£'000s)</i>	<i>% of Total Assets</i>
Commerce and services	113,549	27.62
Manufacturing and machinery	84,623	20.60
Electricals and electronics	56,505	13.76
Financials	38,998	9.49
Information, communication and utilities	39,312	9.57
Real estate and construction	21,670	5.27
Retail	20,970	5.11
Chemical and other materials	19,330	4.71
Pharmaceuticals and food	12,278	2.99
Cash	3,684	0.88
	<u>410,830</u>	<u>100.0</u>

The Company's 25 largest holdings, as at 30 November 2015 the latest practicable date prior to the publication of this document), were as follows:

	<i>Valuation (£'000s)</i>	<i>% of Total Assets</i>
1. Sysmex	11,736	2.86
2. Temp Holdings	11,679	2.84
3. Softbank	11,209	2.73
4. Toyo Tire & Rubber	10,672	2.60
5. Fuji Heavy	10,560	2.58
6. Misumi	9,602	2.34
7. Japan Exchange Group	9,568	2.33
8. GMO Internet	9,303	2.26
9. Cookpad	9,263	2.25
10. Next	9,184	2.24
11. Itochu	9,106	2.22
12. Rakuten	8,698	2.12
13. Kubota	8,676	2.11
14. Mazda Motor	8,590	2.09
15. SMC	8,455	2.06
16. M3	8,405	2.05
17. IRISO Electronics	8,096	1.97
18. Otsuka	8,010	1.95
19. Pigeon	7,985	1.94
20. H.I.S.	7,974	1.94
21. Yasakawa Electric	7,881	1.92
22. Sony	7,841	1.91
23. Shimadzu	7,836	1.91
24. Sumitomo Mitsui Trust	7,763	1.89
25. Niton	7,393	1.80
TOTAL	<u>225,525</u>	<u>54.91</u>

The information in this paragraph 10 is unaudited information on the Company, which has been extracted from internal management accounting records held by the Company and has not been reported on by an accountant.

PART 5

TAXATION

The information contained in this document relating to taxation is a summary of the taxation matters which the Directors consider should be brought to the attention of prospective investors. The following statements are intended as a general guide only and do not constitute legal or tax advice to any Shareholder or prospective Shareholder or investor. They are based upon the United Kingdom law and HM Revenue & Customs practice currently in force, and relate only to the position of Shareholders who are beneficial owners of their Ordinary Shares. They may not relate to certain categories of Shareholders, such as dealers in securities. Prospective investors should consult their own professional advisers on the potential tax consequences of acquiring, holding or selling Ordinary Shares in the Company.

1. The Company

It is the intention of the Directors to continue to conduct the affairs of the Company so as to satisfy the conditions for approval as an investment trust under section 1158 of the Tax Act. The Company has been approved as an investment trust pursuant to the Investment Trust (Approved Company) (Tax) Regulations 2011, which came into force on 1 January 2012, and have applied to the Company from its accounting period beginning 1 September 2012. The Company will therefore continue to have investment trust status in each accounting period going forward, other than to the extent that the Company commits a serious breach of one of the conditions for qualification as an investment trust and will be exempt from United Kingdom taxation on its capital gains. In order to maintain its investment trust status for an accounting period, the Company must not, *inter alia*, be a close company at any time in that accounting period. The Directors do not anticipate that the Company will be a close company.

The Company will, however, be liable to UK corporation tax on its income profits in the normal way, with dividend income generally being exempt from UK corporation tax. Income arising from overseas investments may be subject to foreign withholding taxes at varying rates, but double taxation relief may be available on overseas income.

2. Shareholders

2.1 *Taxation of capital gains*

Shareholders resident in the UK for taxation purposes may, depending upon their personal circumstances, be liable to UK capital gains tax or, in the case of corporations, UK corporation tax on chargeable gains arising from the sale or other disposal (which includes disposal upon a winding up) of their Ordinary Shares for the purposes of capital gains tax. On such a disposal by an individual Shareholder who is resident in the UK for taxation purposes, a rate of tax of 28 per cent. for individuals who pay income tax at the higher or additional rates of tax; otherwise a tax rate of 18 per cent. applies. An individual may be able to claim certain reliefs (including the annual exemption in respect of the first £11,100 of capital gains received in the financial year 2015/16). Shareholders which are corporations resident in the UK will benefit from an indexation allowance which, in general terms, increases the tax base cost of an asset in accordance with changes in the Retail Prices Index. Indexation allowance may not create or increase an allowable loss.

Shareholders who are not resident in the UK for taxation purposes will not normally be liable to capital gains tax arising from the sale or other disposal of their Ordinary Shares unless (in the case of a corporate shareholder) those Ordinary Shares are held through a UK branch or agency, although they may be subject to foreign taxation depending upon their personal circumstances.

2.2 *Taxation of dividends*

Until 5 April 2016, individuals resident in the UK for taxation purposes are generally liable to UK income tax on the aggregate amount of a dividend and a tax credit equal to one-ninth of the dividend. For example, on a dividend of £90, the tax credit would be £10 and an individual

would be liable to UK income tax on £100. No further UK income tax is payable in respect of the dividend by UK resident individuals who are not liable to UK income tax at the higher rate or the additional rate. UK resident individuals who are subject to tax at the higher rate, but not the additional rate, have to pay further tax on a dividend to the extent that tax at the rate applicable to dividends for such individuals (currently 32.5 per cent. for 2015/16) on the aggregate of the dividend and tax credit exceeds the tax credit. For example, on a dividend of £90 such a taxpayer would have to pay additional tax of £22.50. For this purpose, dividends are treated as the top slice of an individual's income.

Until 5 April 2016, UK resident individuals who are subject to UK income tax at the additional tax rate are liable to UK income tax on dividends at the applicable rate (currently 37.5 per cent. for 2015/16) on the difference between the dividend received (including the accompanying tax credit) and the tax credit. For example, on a dividend of £90 such a taxpayer would have to pay UK income tax of £27.50. For this purpose, dividends are treated as the top slice of an individual's income.

No repayment of the tax credit in respect of dividends can be claimed.

With effect from 6 April 2016, the notional 10 per cent. dividend tax credit will be abolished, on the assumption that the provisions of the 2015 Summer Finance Bill are enacted. A £5,000 (fiscal year 2016/2017) annual tax free dividend allowance will be introduced for UK individuals. Dividends received in excess of this threshold will be taxed, for the fiscal year 2016/17 at 7.5 per cent. (basic rate taxpayers), 32.5 per cent. (higher rate taxpayers) and 38.1 per cent. (additional rate taxpayers). The taxation of dividends received by pensions and ISAs will be unaffected.

In general, UK resident corporate Shareholders (other than dealers and certain insurance companies) are not liable to UK corporation tax or UK income tax in respect of dividends, except in certain circumstances.

Non-UK resident Shareholders may be subject to tax on dividend income under any law to which they are subject outside the UK. Under current legislation, no withholding tax will be deducted from any dividends paid by the Company.

3. Stamp duty and stamp duty reserve tax

An agreement to transfer Ordinary Shares through CREST will normally be subject to stamp duty reserve tax at the rate of 0.5 per cent. or, if the transferee is a person to whom the depositary receipt or clearance service charge to stamp duty reserve tax may apply, at the rate of 1.5 per cent. of the value of the consideration paid. If an instrument of transfer of the Ordinary Shares is subsequently executed (if the Ordinary Shares are not transferred through CREST), it will generally be subject to stamp duty at the rate of 0.5 per cent. or, if the transferor is a person to whom the depositary receipt or clearance service charge to stamp duty may apply, at the rate of 1.5 per cent. of the value of the consideration paid. In either case, the duty paid will be rounded up to the nearest multiple of £5. When such an instrument of transfer is duly stamped and stamp duty is paid within specified time limits, the stamp duty reserve tax charge will be cancelled and any stamp duty reserve tax already paid will be refunded.

When Ordinary Shares are transferred in CREST, there will be no stamp duty reserve tax on the transfer (unless made for a consideration, in which case stamp duty reserve tax will be payable at the rate of 0.5 per cent. of the actual consideration paid).

Liability to pay stamp duty or stamp duty reserve tax is normally that of the transferee or purchaser.

4. ISAs

New Shares will qualify for the purposes of an ISA, provided that they are acquired by an ISA manager in the market. Ordinary Shares subscribed for directly pursuant to an Issue will not qualify for an ISA. Direct transfers to an ISA will render such shares ineligible for ISAs.

The New ISA ("NISA") regime came into effect on 1 July 2014 which, amongst other things, removed the concept of stocks and shares and cash components of an ISA. For the 2015/16 tax year NISAs

have an overall subscription limit of £15,240, all of which can be invested in stocks and shares, for which New Shares will qualify.

5. SIPPs and SSASs

Ordinary Shares will be permitted investments for SIPPs and SSASs.

PART 6
GENERAL INFORMATION

1. Incorporation and general

- 1.1. The Company was incorporated and registered in Scotland on 2 September 1981 as a public company limited by shares under the Companies Acts 1948 to 1981 with registered number SC075954. Ordinary Shares in the Company were first admitted to listing in 1981. The Company operates under the Act and regulations made under the Act. Its registered office is at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN (telephone number: 0131 275 2000). Save for its compliance with the Act, the Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules, the Company is not a regulated entity.
- 1.2. In accordance with the Act and article 3 of the Articles, the objects of the Company are unrestricted.
- 1.3. The Managers are a company incorporated in Scotland under the Companies Acts 1948 to 1976 on 8 October 1979 with registered number SC069524. The Managers' registered office is at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN (telephone number: 0131 275 2000). The Managers are authorised and regulated by the FCA with firm reference number 119179 and have significant experience of providing investment management services.
- 1.4. The Managers have delegated portfolio management services to the Portfolio Managers. The Portfolio Managers are a partnership established in Scotland in 1927 in accordance with its partnership agreement with separate legal personality operating under the Partnership Act 1890 and with its principal place of business at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN (telephone number: 0131 275 2000). The Portfolio Managers are authorised and regulated by the FCA with firm reference number 142597.
- 1.5. BNY Mellon Trust & Depositary (UK) Limited acts as depositary to the Company. The Depositary is responsible for the safe keeping of the Company's assets. The Depositary is a public limited company incorporated in England and Wales under the Companies Act 1985 with registered number 03588038 on 25 June 1998. The Depositary's registered office is 160 Queen Victoria Street, London EC4V 4LA (telephone number: 020 7163 5566). The Depositary is authorised by the PRA and regulated by the FCA and PRA with firm reference number 188432. The Depositary has entered into a written agreement delegating the performance of its safekeeping functions to the custodian, The Bank of New York Mellon SA/NV, London Branch. The Bank of New York Mellon SA/NV is a company organised under the laws of Belgium with limited liability. Its main office is in Brussels, Belgium and it was registered as a branch in England and Wales with registered number BR014361 on 1 October 2009. Its principal place of business in the United Kingdom is 160 Queen Victoria Street, London EC4V 4LA (telephone number: 0207 163 4300). The Bank of New York Mellon SA/NV is authorised and regulated as a credit institution by the National Bank of Belgium and its authorisation has been passported to the UK and, therefore, it is subject to limited regulation by the FCA and has firm reference number 506491.

2. Share capital and indebtedness

- 2.1. The issued share capital of the Company (all of which issued Ordinary Shares will be fully paid-up) as at the date of this document and immediately following Admission (assuming the maximum number of New Shares are issued) will be as follows:

	<i>No. of Ordinary Shares</i>	<i>Nominal value</i>
As at the date of this document		
Ordinary Shares	76,429,925	£3,821,496.25

Immediately following Admission of all of the New Shares

Ordinary Shares	91,429,925	£4,571,496.25
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As at the date of this document, no Ordinary Shares are held by the Company in treasury. The Company has no authorised share capital.

2.2. The following changes have occurred in the share capital of the Company between 1 September 2012 and 31 August 2015:

2.2.1. in the financial year from 1 September 2012 to 31 August 2013, the Company issued 3,096,750 new Ordinary Shares;

2.2.2. in the financial year from 1 September 2013 to 31 August 2014, the Company issued 4,300,000 new Ordinary Shares; and

2.2.3. in the financial year from 1 September 2014 to 31 August 2015, the Company issued 5,790,000 new Ordinary Shares.

As at 1 September 2012, the Company had in issue 61,935,000 Ordinary Shares and, as at 31 August 2015, the Company had in issue 75,121,750 Ordinary Shares.

2.3. No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

2.4. At the annual general meeting of the Company held on 30 November 2015, the Directors were authorised as follows:

2.4.1. generally and unconditionally, pursuant to section 551 of the Act, to allot Ordinary Shares and to grant rights to subscribe for or to convert any securities into Ordinary Shares up to an aggregate nominal amount of £1,263,695.80 (such authority to expire at the conclusion of the Company's next annual general meeting or on the expiry of 15 months from the passing of the resolution, whichever is the earlier); and

2.4.2. pursuant to section 570 of 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 any securities into Ordinary Shares held by the Company in treasury, for cash pursuant to the authority noted in paragraph 2.4.1 above as if sub-section 561(1) of the Act did not apply to any such allotment of equity securities, provided that this authority is to expire at the conclusion of the next annual general meeting of the Company or on the expiry of 15 months from the passing of the resolution, whichever is the earlier (save that the Company may make an offer or agreement which would or might require equity securities to be allotted after expiry of this power and the Directors may allot equity securities in pursuance of that offer or agreement as if this power had not expired) and is limited to the allotment of equity securities up to an aggregate nominal amount of £379,108.75.

2.5. The disapplication of statutory pre-emption rights in the terms provided under the special resolution noted at paragraph 2.4.2 above gives the Company the flexibility to resell any Ordinary Shares which it holds in treasury for cash without first being required to offer such Ordinary Shares to existing Shareholders in proportion to their existing holdings.

2.6. The Company has authority to buy back up to 11,365,680 Ordinary Shares. The

Company has not purchased any Ordinary Shares pursuant to this authority.

- 2.7. The provisions of section 561 of the Act, which confer on Shareholders certain rights of pre-emption in respect of the allotment of equity securities which are to be paid up in cash, apply to the unissued capital of the Company except as referred to in paragraph 2.4.2 above.
- 2.8. Issues will be made only in the circumstances described in the section entitled "Details of the Issues" in Part 3 of this document. Where Issues are made, it is expected that the New Shares will be issued pursuant to resolutions of the Shareholders and the Board conditional upon admission of those Ordinary Shares to the Official List and to trading on the Main Market. All of the Ordinary Shares are (or, in the case of any New Shares which are issued, will be) admitted to trading on the Main Market.
- 2.9. The Issue Price of the New Shares in respect of each Issue will be at or around the market price of an Ordinary Share as at the relevant Calculation Time and will be at a level of premium to the Net Asset Value per Ordinary Share (which shall include a premium to cover commissions and expenses associated with such issue) such that, disregarding the Documentation Costs, no Issue is expected to be dilutive to the Net Asset Value per Ordinary Share after taking into account the other costs of such Issue.
- 2.10. Under the Issues, the New Shares will be issued fully paid and in registered form and may be held in either certificated or uncertificated form. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instruments. The Articles permit the holding of New Shares under the CREST system. CREST is a voluntary system and holders of New Shares who wish to receive and retain share certificates will be able to do so. Temporary documents of title will not be issued in respect of New Shares issued in certificated form under the Issues. Definitive certificates for such New Shares are expected to be despatched in the week following completion of the relevant Issue.
- 2.11. The Corporate Broker acts as market maker in respect of the Ordinary Shares and the Directors anticipate that they will act as market maker in respect of the New Shares.

3. Articles of association

The Ordinary Shares (which at the date of this document are the only class of share in issue of the Company) have attached thereto the respective rights and privileges and are subject to the respective limitations and restrictions set out in this paragraph 3. The Articles contain provisions, *inter alia*, to the following effect:

3.1. Dividends

Subject to the provisions of the Act, the Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members but only on the recommendation of the Board and no dividend shall exceed the amount recommended by the Board. The Board may also pay such interim dividends as appear to them to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals set by the Board whenever the financial position of the Company justifies its payment.

Any dividend unclaimed for a period of 12 years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

Surpluses arising from the realisation of investments cannot be distributed as dividends.

In the event that a restriction notice (as detailed in paragraph 3.2.2 below) has been served, and the person holding the restricted Ordinary Shares holds at least 0.25 per cent. in number or nominal value of the Ordinary Shares in the Company, the Board may withhold the payment of all or part of any dividend (including shares issued in lieu of dividends) due on those restricted Ordinary Shares.

3.2. *Voting*

3.2.1. *General voting rights*

The holder of an Ordinary Share shall be entitled to receive notice of and to attend, speak and vote at all general meetings of the Company in person (or, if a corporation, by a duly authorised representative) or by proxy. At any general meeting, on a show of hands every holder of Ordinary Shares who is present and entitled to vote shall have one vote and upon a poll every such holder of Ordinary Shares present in person, by duly authorised corporate representative or by proxy shall have one vote in respect of each Ordinary Share held by him and every corporate representative present in person may exercise all the powers on behalf of the company which authorised him to act as its representative and shall have one vote for every Ordinary Share in respect of which he is appointed the corporate representative. However, no member shall be entitled to exercise a vote at any general meeting (or class meeting) (i) in relation to an Ordinary Share if any call or other sum immediately payable by him in respect of that Ordinary Share remains unpaid; or (ii) in relation to any Ordinary Shares if a member has been served with a statutory notice by the Directors in the manner described in paragraph 3.2.2 below and has failed to supply to the Company the information required thereby within 14 days.

3.2.2. *Restrictions on voting*

If a holder of Ordinary Shares or any person appearing to be interested in those Ordinary Shares is served with a statutory notice by the Company under section 793 of the Act (which notice demands the disclosure of certain information regarding the relevant receiver's interest in the Ordinary Shares) but defaults in supplying to the Company the information thereby required within 14 days of the service of such notice then the Directors may serve on the holder of those Ordinary Shares a further notice (a "restriction notice") the effect of which is, *inter alia*, to prevent the holder from voting at any general meeting or class meeting of the Company in respect of those Ordinary Shares.

3.3. *Redeemable ordinary shares*

The Company may (subject to company law and any rights conferred on the holders of any other ordinary shares) issue ordinary shares which are to be redeemed, or are liable to be redeemed, at the option of the Company or the holder of the ordinary share and the Board is authorised to determine the terms, conditions and manner of redemption of any such ordinary shares.

3.4. *Transfer of Ordinary Shares*

The Articles provide that Ordinary Shares may be transferred on the following basis:

- 3.4.1. any member may transfer all or any of his uncertificated Ordinary Shares by means of a relevant system in such manner provided for, and subject as provided in the Uncertificated Securities Regulations 2001 and the rules of any relevant system, and accordingly no provision of the Articles shall apply in respect of an uncertificated Ordinary Share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the Ordinary Share to be transferred; and
- 3.4.2. any member may transfer all or any of his certificated Ordinary Shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share) the transferee, and the transferor shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the register of members of the Company in

respect of it.

However, the Board may, in its absolute discretion and without giving any reason for so doing, decline to register any transfer of any Ordinary Share which is not fully paid provided that where such Ordinary Share is admitted to the Official List such discretion may not be exercised in such a way as to prevent dealings in Ordinary Shares of that class from taking place on an open and proper basis.

The Board may also decline to register a transfer of an uncertificated Ordinary Share in the circumstances set out in the Uncertificated Securities Regulations 2001 and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

In relation to certificated Ordinary Shares, the Board may also decline to register any transfer unless:

- (i) the instrument of transfer is left at the registered office of the Company or such other place as the Board may from time to time determine accompanied (save in the case of a transfer by a person to whom the Company is not required by law to issue a certificate and to whom a certificate has not been issued) by the certificate for the Ordinary Share to which it relates and such other evidence as the Board may reasonably require to show the right of the person executing the instrument of transfer to make the transfer;
- (ii) (if stamp duty is generally chargeable on transfers of certificated Ordinary Shares) the instrument of transfer is duly stamped or adjudged or certified as not chargeable to stamp duty;
- (iii) the instrument of transfer is in respect of only one class of share; and
- (iv) in the case of a transfer to joint holders, the number of joint holders to whom the Ordinary Share is to be transferred does not exceed four.

The Board may in addition decline, subject to the requirements of the Uncertificated Securities Regulations 2001, to register the transfer of an Ordinary Share subject to a restriction notice (as detailed in paragraph 3.2.2 above) where the person holding the restricted Ordinary Shares holds at least 0.25 per cent. in number or nominal value of the Ordinary Shares in the Company. This restriction cannot be applied where the transfer is pursuant to an "arm's length sale".

3.5. *Variation of rights*

All or any of the rights for the time being attached to any class of shares in issue may from time to time (whether or not the Company is being wound up) be varied either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. All the provisions of the Articles as to general meetings of the Company (described at paragraph 3.11 below) shall, *mutatis mutandis*, apply to any such separate general meeting, but so that the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares), but so that at any adjourned meeting one holder present in person or by proxy (whatever the number of shares held by him) shall be a quorum, that every holder of shares of the class present in person or by proxy (excluding any Ordinary Shares of that class held as treasury shares) shall be entitled on a poll to one vote for every share of the class held by him (subject to any rights or restrictions attached to any class of shares) and that any holder of shares of the class present in person or by proxy may demand a poll. The foregoing provisions shall apply to the variation of any special rights which only attach to certain shares of a particular class as if the shares carrying such special rights formed a

separate class.

3.6. *Reduction of capital*

The Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any other undistributable reserve in any manner permitted by law.

3.7. *Untraced Shareholders*

Subject to various notice requirements, the Company may sell on the London Stock Exchange at the best price reasonably obtainable any certificated Ordinary Share provided that for a period of 12 years at least three cash dividends on those Ordinary Shares have become payable and no such cash dividend has been claimed by presentation at a bank of the relevant cheque or warrant or been satisfied by the transfer of funds to a bank account designated by the holder of (or person entitled to) the Ordinary Shares or otherwise been transferred through CREST (or another relevant service), and so far as the Directors are aware the Company has not received any communication during the relevant period from the holder of, or person entitled to, those Ordinary Shares.

3.8. *Capital reserve*

The Board shall establish a reserve to be called the "capital reserve" and shall either carry to the credit of such reserve from time to time all capital profits or appreciations arising on the sale, transposition, payment off of or revaluation of any investment or other capital asset of the Company in excess of the book value thereof or apply the same in providing for depreciation or contingencies. For the avoidance of doubt, accrued but unpaid interest or any sum received in respect of accrued but unpaid interest shall not be treated as capital profits or appreciations arising on the sale, transposition, payment off of or revaluation of any investment or other capital asset. Any losses realised on the sale, transposition, payment off of or revaluation of any investment or other capital asset and any other expenses, loss or liability (or provision thereof) considered by the Board to be of a capital nature shall be carried to the debit of the capital reserve except in so far as the Board may in its discretion decide to make good the same out of other funds of the Company. Any increase or diminution in the amount of any index-linked stock or other index-linked indebtedness of the Company shall be carried to the debit or credit of the capital reserve, except in so far as the Board may in its discretion decide to make good the same out of or credit the same to other funds or reserves of the Company.

Subject to the Act and without prejudice to the foregoing generality, the Board may determine whether any amount received by the Company is to be dealt with as income or capital or partly one and partly the other. The Board may determine whether any cost, liability or expense (including, without limitation, any costs incurred or sums expended in connection with the management of the assets of the Company or finance costs (including, without limitation, any interest payable by the Company in respect of any borrowings of the Company)) is to be treated as a cost, liability or expense chargeable to capital or to revenues or partly one and partly the other, having regard, *inter alia*, to the investment objectives of the Company, and to the extent the Board determines that any such cost, liability or expense should reasonably and fairly be apportioned to capital the Board may debit or charge the same to the capital reserve.

3.9. *Borrowing powers*

The Board may, subject to the restrictions set out below, exercise all of the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities.

The Board shall restrict the borrowings of the Company and exercise all voting rights or

powers of control exercisable by the Company in relation to its subsidiaries so as to secure (as regards subsidiaries so far as by such exercise they can secure) that, save with the previous sanction of an ordinary resolution, no money shall be borrowed if the aggregate amount (including any premium payable in final repayment outstanding of all moneys borrowed by the Company and subsidiary or subsidiaries for the time being of the Company) (excluding amounts for the time being owing by any member of the Company's group from any other member of the Company's group) then exceeds or would as a result of such borrowing exceed an amount equal to the aggregate of (i) the amount paid up on the share capital of the Company; and (ii) the total of the capital and revenue reserves of the Company's group (including any share premium account, capital redemption reserve fund and credit balance on the combined profit and loss account) but excluding sums set aside for taxation and amounts attributable to outside shareholders in subsidiaries of the Company and deducting any debit balance on the combined profit and loss account all as shown in the then latest audited consolidated balance sheet of the Company's group, but adjusted as may be necessary in respect of any variation in the paid up share capital or share premium account or capital redemption reserve fund of the Company since the date of its latest audited balance sheet.

For the purposes of the foregoing provisions:

- 3.9.1. moneys borrowed for the purpose of repaying the whole or any part of any moneys previously borrowed and then outstanding (including any premium payable on final repayment thereof) and applied for that purpose within four months of such borrowing shall not, pending such application, be taken into account as moneys borrowed; and
- 3.9.2. the principal amount (including any premium payable on final repayment) of any debentures issued in whole or in part for consideration other than cash shall be taken into account as moneys borrowed by the Company issuing the same.

If any uncalled capital of the Company is included in or charged by any mortgage or other security, the Directors may delegate to the person in whose favour such mortgage or security is executed, or to any other person in trust for him, the power to make calls on the members in respect of such uncalled capital and to sue in the name of the Company or otherwise for the recovery of moneys becoming due in respect of calls so made and to give valid receipts for such moneys, and the power so delegated shall subsist during the continuance of the mortgage or security, notwithstanding any change of Directors, and shall be assignable if expressed so to be.

No person dealing with the Company or any of its subsidiary undertakings in good faith shall, by reason of the foregoing provisions, be concerned to see or inquire whether the limits imposed by the Articles are observed and no debt incurred or security given in excess of such limit shall be invalid or ineffectual unless the lender or the recipient of the security had, at the time when the debt was incurred or the security was given, the express notice that the said limit had been or would thereby be exceeded.

3.10. *Directors*

3.10.1. *Number of Directors*

The minimum number of Directors is two and there is no limit on the maximum number of Directors.

3.10.2. *Appointment and removal of Directors*

The Company may by ordinary resolution appoint any person who is willing to act to be a Director (either as an addition to the Board or to fill a vacancy). The Board may also appoint any person to the Board (either as an addition or to fill a vacancy) for the period from the date of appointment until the next annual general meeting.

Each Director shall retire from office at the third annual general meeting after the annual general meeting at which he was last elected until the ninth anniversary of his appointment and annually thereafter.

The Company may remove a Director at any time by special resolution.

The office of Director shall also be vacated if:

- (i) he resigns his office by notice in writing; or
- (ii) by notice in writing he offers to resign and the Board resolves to accept such offer; or
- (iii) by notice in writing his resignation is requested by all of the other Directors and all of the other Directors are not less than three in number; or
- (iv) a registered medical practitioner who is treating that Director gives a written opinion to the company stating that that Director has become physically or mentally incapable of acting as a director and may remain so for more than three months; or
- (v) by reason of a Director's mental health, a court makes an order which wholly or partly prevents that Director from personally exercising any powers or rights which that director would otherwise have; or
- (vi) he is absent without the permission of the Board from meetings of the Board (whether or not an alternate director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated; or
- (vii) he becomes bankrupt or compounds with his creditors generally; or
- (viii) he is prohibited by law from being a Director; or
- (ix) he ceases to be a Director by virtue of company law or is removed from office pursuant to the Articles.

3.10.3. *Directors' fees, expenses and remuneration*

The fees paid to Directors for their services as Directors shall not exceed £150,000 in aggregate or such higher amount as the Company may by ordinary resolution determine. A Director may also be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board (or any committee thereof) and any other meeting that he is entitled to attend and all other costs and expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties. A Director who is appointed to any executive office or who performs services which, in the opinion of the Board, go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board (or any committee thereof) may think fit.

3.10.4. *Directors' interests*

No Director or proposed or intending director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any contract in which any Director is in any way interested be liable to be avoided, nor shall any Director who is so interested be liable to account to the Company or the members for any remuneration, profit or other benefit realised by the contract by reason of the Director holding that office or of the fiduciary relationship thereby established.

A Director may hold any other office or place of profit with the Company (except

that of auditor) for such period (subject to company law) and upon such terms as the Board may decide, and may be paid such extra remuneration for so doing as the Board or any committee authorised by the Board may decide.

A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested or as regards which it has any power of appointment, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in the other company.

A Director may act by himself or his firm in a professional capacity (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

A Director shall not vote on or be counted in the quorum in relation to any resolution of the Board concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested.

A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board in respect of any actual or proposed transaction or arrangement with the Company in which he has an interest which, taken together with any interest of any person connected with him, is to his knowledge an interest of which he is aware, or ought reasonably to be aware, does conflict, or can reasonably be regarded as likely to give rise to a conflict, with the interests of the Company and, if he shall do so, his vote shall not be counted (subject to certain exceptions provided under the Articles).

A Director who is in any way, whether directly or indirectly, interested in an actual or proposed transaction or arrangement with the Company shall declare the nature and extent of his interest at the meeting of the Board at which the question of entering into the contract is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

In respect of any situation in which a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company, the Board may authorise the matter, on such terms as they may determine, provided that:

- (i) the Director has declared the full nature and extent of the situation to the Board; and
- (ii) it is proposed (either by the Director in question or another) that the Board authorise the matter and upon the resolution to do so the requirement for the quorum is met without counting the Director in question and the resolution was agreed to without such Director voting or would have been agreed to if that conflicted Director's vote had not been counted.

Any authorisation given by the Board under the Articles may provide that, where the interested Director obtains (other than through his position as a Director of the Company) information that is confidential to a third party, he will not be obliged to disclose it to the Company or use it in relation to the Company's affairs in circumstances where to do so would amount to breach of confidence.

Subject to the Act and the Listing Rules, the Company may by ordinary resolution suspend or relax the above provisions on Directors' conflicts to any extent or ratify any contract not properly authorised by reason of a contravention

of the Articles.

3.10.5. *Voting and quorum*

Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

The quorum at Board meetings shall be two Directors (unless fixed at another number by the Board).

3.11. *General meetings*

Annual general meetings shall be convened by not less than 21 clear days' notice in writing. Subject to the Act, all other general meetings shall be called by not less than 14 clear days' notice in writing. The notice shall specify the place, day and time of the meeting, the general nature of the business to be transacted, the address of the website where information relating to the meeting is available, the record date, any procedures as to attendance and voting and an explanation of the right to ask questions and the right to requisition resolutions in accordance with the Act. Notice of every general meeting shall be given to all members other than any who, under the provisions of the Articles or the terms of issue of the Ordinary Shares they hold, are not entitled to receive such notices from the Company, and also to the Auditors or, if more than one, each of them.

Subject to the Act, and notwithstanding that a meeting of the Company is convened by shorter notice than that specified above, it shall be deemed to have been properly convened if it is so agreed:

3.11.1. in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and

3.11.2. in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

The Board may, from time to time, make such arrangements for the purpose of controlling the level of attendance at any such place as they shall, in their absolute discretion, consider appropriate, and may from time to time vary any such arrangements or make any new arrangements in place of them, provided that the entitlement of a member to attend a meeting or adjourned meeting shall be satisfied by his being given the entitlement to attend at such place as may be specified by the Board for the purpose.

The Board may direct that persons wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse entry to, or to eject from, such general meeting any person who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.

3.12. *Duration*

The Directors shall put an ordinary resolution to the Shareholders to approve the continuation of the Company at each annual general meeting of the Company. If at any such annual general meeting such resolution is not passed, the Board shall, within three months of such meeting, convene a general meeting of the Company at which a special resolution shall be proposed to the members of the Company for the winding up of the Company.

4. Directors' and other interests

4.1. The aggregate of the remuneration paid and benefits in kind granted to the Directors by the Company for the financial period which ended on 31 August 2015 was £125,647

(being £29,367 to Mr Bannerman (the Chairman), £23,885 to Mr Barrow (resigned 30 November 2015), £24,142 to Mr Dimond, £24,174 to Mr Falconer and £24,079 to Mr Paling. Mr Kidd was appointed on 30 November 2015 and will receive a fee of £22,000 per annum for his services. The fees are reviewed annually and may be increased in line with fees paid at comparable investment trusts. It is estimated that the aggregate remuneration to be paid and benefits in kind granted to the Directors by the Company for the current financial period ending 31 August 2016 will not exceed £120,500 in fees. The total remuneration and benefits in kind granted to the Directors will not be varied as a consequence of the Issues. No Director is eligible for pension, retirement or similar benefits and no amounts have been set aside by the Company to provide pension, retirement or similar benefits.

- 4.2. Any new Directors appointed during the year must stand for election at the first annual general meeting following their appointment. Thereafter, each of the Directors is obliged to retire and, subject to a performance evaluation, if they wish, offer themselves for re-election every three years. Directors who have served on the Board for longer than nine years will submit themselves for re-election every year. Mr Bannerman was appointed as a Director in 2003 and was appointed Chairman in 2014. Mr Dimond was appointed as a Director in 2006. Accordingly, each of Mr Bannerman and Mr Dimond stands for annual re-election. Mr Barrow stood down from the Board at the annual general meeting held on 30 November 2015. Mr Falconer was appointed as a Director in 2014 and is Chairman of the audit committee, Mr Paling was appointed as a Director in 2008. None of the Directors' letters of appointment contain notice periods nor provisions for any compensation being payable upon early termination by the Company.
- 4.3. No Director has or has had any direct or indirect interest in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which has been effected by the Company since its date of incorporation.
- 4.4. No loan or guarantee has been granted or provided by the Company for the benefit of any Director.
- 4.5. The Directors do not have any options over Ordinary Shares. As at the date of this document, the interests of the Directors in the issued share capital of the Company were as follows:

<i>Director</i>	<i>No. of Ordinary Shares</i>	<i>% of issued share capital</i>
Nick Bannerman	8,496	0.011
Paul Dimond	3,550	0.004
Keith Falconer	18,500	0.024
David Kidd	-	-
Martin Paling	10,000	0.013

- 4.6. As at close of business on 30 November 2015, the Company was aware of the following notifiable interests in the issued share capital of the Company:

	<i>No. of Ordinary Shares</i>	<i>% of issued share capital</i>
Rathbone Brothers PLC (indirect)	3,412,614	4.5
Brewin Dolphin Limited (indirect)	4,372,650	5.8

The Directors are not aware of any person or persons who, following the Issues, will or could, directly or indirectly, jointly or severally, exercise control over the Company. There

are no different voting rights for any Shareholder.

- 4.7. Details of those companies (other than the Company) and partnerships of which the Directors have been a member of the administrative, management or supervisory body or a partner at any time in the five years preceding the date of this document are as follows:

	<i>Current Directorships</i>	<i>Previous Directorships</i>
(i) Nick Bannerman	James Johnston & Co. of Elgin Limited Johnston GmbH Scottish Textile and Leather Association The Scottish Cashmere Club Limited	None
(ii) Paul Dimond	Anglo-Netherlands Society Daks-Simpson Group Public Limited Company Daks Limited Torch Trophy Trust Westminster Gardens Limited	Daks-Simpson Limited (director when dissolved) Intralink Limited Japan 21 (director when dissolved) The Japan Society
(iii) Keith Falconer	Adelphi Distillery (1826) Limited Adelphi Distillery Limited The Ardnamurchan Distillery Ltd Asian Equity Special Opportunities Fund Asian Opportunities Absolute Return Fund The China A Share Ltd Impax Capital Limited Impax Asset Management Group plc Impax Asset Management Limited Impax Asset Management (AIFM) Limited	Aquarius Fund Aberdeen New Thai Investment Trust PLC Rain Dance Investments Limited
(iv) David Kidd	The Golden Charter Trust Ltd. The Law Debenture Pension Trust Corporation p.l.c.	Shires Income plc

Martin Currie Global
Portfolio Trust plc

The Salvation Army
International Trustee
Company

(v) Martin Paling

None

None

4.8. As at the date of this document, none of the Directors:

4.8.1. has any convictions in relation to fraudulent offences for at least the previous five years;

4.8.2. has been the subject of any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body or a partner of the companies and/or partnerships referred to in paragraph 4.7 above; or

4.8.3. has any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

4.9. There are no potential conflicts of interest between any duties of the Directors to the Company and their private interests and/or other duties. All of the Directors are independent of the Managers and any other company in the same group of companies as the Managers.

5. **Subsidiary undertakings**

The Company has no subsidiary undertakings.

6. **Related party transactions**

The Company was not a party to, nor had any interest in, any related party transaction (as defined in the standards adopted according to the Regulation (EC) No 1606/2002) at any time during the three financial periods ended 31 August 2013, 31 August 2014 and 31 August 2015 in respect of which the Company has published statutory accounts or during the period from 31 August 2015 to the date of this document, other than those disclosed in notes 3 and 18 to the financial statements of the Company for the three financial periods ended 31 August 2013, 31 August 2014 and 31 August 2015.

7. **Mandatory bids, squeeze-out and sell-out rules**

7.1. *Mandatory bids*

As a company incorporated in Scotland with shares admitted to trading on the London Stock Exchange, the Company is subject to the provisions of the Takeover Code. Under Rule 9 of the Takeover Code, any person or group of persons acting in concert with each other which, taken together with shares already held by that person or group of persons, acquires 30 per cent. or more of the voting rights of a public company which is subject to the Takeover Code or holds not less than 30 per cent. but not more than 50 per cent. of the voting rights exercisable at a general meeting and acquires additional shares which increase the percentage of their voting rights, would normally be required to make a general offer in cash at the highest price paid within the preceding 12 months for all the remaining equity share capital of the Company.

Under Rule 37 of the Takeover Code, when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of

any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9. A shareholder who is neither a director nor acting in concert with a director will not normally incur an obligation to make an offer under Rule 9. However, under note 2 to Rule 37, where a shareholder has acquired shares at a time when it had reason to believe that a purchase by the company of its own voting shares might take place, an obligation to make a mandatory bid under Rule 9 may arise in certain circumstances. The buying back by the Company of Ordinary Shares could, therefore, have implications for Shareholders with significant shareholdings.

7.2. *Squeeze-out and sell-out rules*

Other than as provided by the Act, there are no rules or provisions relating to squeeze-out and sell-out rules in relation to the Ordinary Shares.

8. Material contracts

The following are all of the material contracts, other than contracts entered into in the ordinary course of business, to which the Company has been a party within the two years preceding the date of publication of this document and any other contract, not being a contract entered into in the ordinary course of business, that has been entered into by the Company which contains any provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document.

- 8.1. The Investment Management Agreement dated 14 May 2014 pursuant to which the AIFM has agreed, subject to the overall policy and supervision of the Directors and such directions as the Directors may give from time to time, to advise upon investments in accordance with the Company's investment policy with effect from 1 July 2014. The AIFM receives a management fee in accordance with the Investment Management Agreement, such management fee being payable quarterly in arrears. The management fee will be paid at a rate of 0.95 per cent. per annum on the first £50 million of the net assets of the Company attributable to its Shareholders and thereafter at a rate of 0.65 per cent. per annum of the net assets of the Company attributable to its Shareholders.

The Investment Management Agreement will continue until terminated at any time by either party giving to the other not less than six months' written notice. If the Company gives less than the prescribed period of notice, the AIFM is entitled to receive a sum calculated by reference to the unexpired period of such notice. The Company may, however, terminate the appointment of the AIFM at any time without notice if, in the reasonable opinion of the Board, the AIFM is grossly negligent or persistently fails to carry out its duties efficiently or conduct itself in such a manner as to be materially detrimental to the business of the Company. On the termination of the AIFM's appointment, the AIFM shall be entitled to receive all fees accrued and outlays incurred up to the date of termination. If the AIFM's appointment is terminated otherwise than (i) by the Company giving not less than six months' written notice to the AIFM; (ii) by the AIFM's gross negligence, persistent failure to carry out their duties efficiently or conducting themselves in such a manner as to be materially detrimental to the business of the Company; (iii) by the winding up of the Company for the purposes of, *inter alia*, reorganisation upon terms previously approved by the AIFM; or (iv) where the cause or a principal cause of the winding up is the act, negligence or wilful default of the AIFM, then the Company shall pay to the AIFM, in addition to any fees accrued and outlays incurred up to the date of termination, a sum equal to three times the fee paid or payable by the Company to the AIFM in respect of the last two completed calendar quarters prior to the termination of the AIFM's appointment.

The AIFM has agreed to indemnify the Board in respect of any losses incurred as a result of negligence, wilful default, fraud or bad faith by them or any of their associates or their respective employees.

The Company has agreed to indemnify the AIFM against all actions, proceedings, claims, demands, costs and expenses arising out of the performance of their duties, except where any such liabilities result from the AIFM's negligence, wilful default, fraud or bad faith.

The Investment Management Agreement is governed by the laws of Scotland.

- 8.2. The Company entered into the Depositary Agreement with the Depositary on 23 June 2014 pursuant to which the Company appointed BNY Mellon Trust & Depositary (UK) Limited as the Company's depositary for the purposes of the AIFM Directive. Under the terms of the Depositary Agreement, the Depositary performs, *inter alia*, safekeeping, cashflow monitoring and oversight services in accordance with the AIFM Directive. The Depositary is responsible for enquiring into the conduct of the Managers each annual accounting period.

The Depositary is paid a fee calculated as 0.015 per cent. of the total assets of the Company less liabilities (other than borrowing) per annum subject to a minimum of £10,000, payable quarterly in arrears. The Depositary is entitled to debit the Company's accounts in order to be refunded of all expenses properly incurred on behalf of the Company.

Under the terms of the Depositary Agreement, any party may, by giving to the other parties not less than 90 days' notice in writing, terminate the Depositary Agreement provided that the Depositary Agreement shall not terminate until a new depositary is appointed. The Depositary Agreement may also be terminated by any party immediately by notice in writing to the other parties where: (a) another party becomes subject to certain prescribed events of insolvency; (b) another party ceases to be licensed for its activity under the Depositary Agreement or ceases to have approval(s) by applicable governmental institutions that are required for its activities; or (c) another party materially defaults on its obligations under the Depositary Agreement and such default is not remedied within two weeks of notice from another party.

In accordance with the terms of the Depositary Agreement, and subject to the provisions of the AIFM Directive, the Depositary may delegate its safekeeping functions in relation to securities and other assets of the Company. The Depositary must exercise due care, skill and diligence in the selection of a delegate to perform the safekeeping functions in respect of securities and other assets of the Company. The employment of any such delegate shall not relieve the Depositary of its responsibilities or liabilities under the Depositary Agreement. Under the Depositary Agreement, the safekeeping function in respect of the Company's assets has been delegated to the custodian, The Bank of New York Mellon SA/NV, London Branch.

The Depositary and its delegates, employees, officers and directors have the benefit of an indemnity from the Company in relation to all taxes, charges, expenses (including reasonable legal fees), assessments, claims or liabilities incurred by them in the discharge of the duties under the Depositary Agreement other than those arising from the Depositary or any of its agents, delegates or sub-custodian's or their respective employees, officers and directors' negligence, failure to exercise reasonable care in the performance of their duties under the Depositary Agreement, recklessness, bad faith, fraud or intentional failure to perform the Depositary's obligations or in the case of any liability imposed by mandatory law or save where the Depositary is otherwise liable under the Depositary Agreement. The indemnity is customary in agreements of this nature.

The Depositary Agreement is governed by the laws of Scotland.

- 8.3. The Company entered into a facility agreement with ING Bank N.V. plc on 21 August 2013, pursuant to which ING Bank N.V. provided a loan of ¥7.2 billion to the Company which was drawn down in five tranches on 28 August 2013, 15 October 2013, 14 February 2014, 19 May 2014 and 11 August 2014. Interest is charged in respect of each of the tranches at a fixed rate equal to 2.43 per cent., 2.45 per cent., 2.46 per cent., 2.48 per cent. and 2.50 per cent. per annum respectively. No amount repaid under the facility agreement may be redrawn. The loan must be repaid in full on 21 August 2020.
- 8.4. The Company entered into two revolving facility agreements with Scotiabank Europe plc on 26 November 2014 (as amended by an amendment agreement dated 26 August 2015) and 26 August 2015, pursuant to which Scotiabank Europe plc provided loan facilities of ¥1.5 billion and ¥3 billion respectively to the Company. The 3 year ¥1.5 billion facility was fully drawn down on 1 December 2014 and ¥1.5 billion of the 5 year ¥3 billion facility was drawn down on 28 August 2015. Interest is charged in respect of the 3 year facility and the 5 year facility at a fixed rate equal to 1.04609 per cent. and 1.8337 per cent. per annum respectively. The 3 year facility expires in November 2017 and the 5 year facility in August 2020.

9. Investment restrictions

- 9.1. In accordance with the requirements of the UK Listing Authority, the Company:
- 9.1.1. will not invest more than 10 per cent. in aggregate of the value of the total assets of the Company in other investment companies or investment trusts which are listed on the Official List (except to the extent that those investment companies or investment trusts have published investment policies to invest no more than 15 per cent. of their gross assets in other investment companies or investment trusts which are listed on the Official List);
 - 9.1.2. will not conduct any trading activity which is significant in the context of the Company as a whole;
 - 9.1.3. will, at all times, invest and manage its assets:
 - (i) in a way which is consistent with its object of spreading investment risk; and
 - (ii) in accordance with its published investment policy.
- 9.2. As an investment trust, the Company aims to comply with section 1158 of the Tax Act, which imposes on the Company an obligation to spread investment risk.
- 9.3. In accordance with the requirements of the UK Listing Authority, the Company will not make any material change to its published investment policy without the approval of its Shareholders by ordinary resolution. Such an alteration would be announced by the Company through a Regulatory Information Service.
- 9.4. In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company by an announcement issued through a Regulatory Information Service approved by the UK Listing Authority.

10. General

- 10.1. There are no governmental, legal or arbitration proceedings (and, in so far as the Company is aware, there are no governmental, legal or arbitration proceedings pending or threatened) which may have, or have had in the previous 12 months, significant effects on the Company's financial position or profitability.
- 10.2. Dickson Minto W.S. has given and not withdrawn its written consent to the issue of this document with inclusion therein of its name in the form and context in which they are included.

11. Documents available for inspection

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW and at the registered office of the Company, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN until 1 December 2016:

- (i) the Articles;
- (ii) the annual reports and accounts of the Company for the three financial years ended 31 August 2015; and
- (iii) this document.

12. Availability of Prospectus

The Prospectus is available for inspection at www.morningstar.co.uk/uk/NSM and, until 1 December 2016, copies are available for collection, free of charge, from the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW and the registered office of the Company, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN.

2 December 2015