JPMORGAN EUROPEAN SMALLER COMPANIES TRUST PLC

Interim Accounts for the purposes of Section 838 Companies Act 2006

Period to 30th September 2019

Company Number: 2431143

Unuaudited

Filed pursuant to Section 838 Companies Act 2006

Marc van Gelder
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

	(Unaudited) Six months ended 30th September 2019			(Unaudited) Six months ended 30th September 2018			(Audited) Year ended 31st March 2019		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Gains/(losses) on investments held at fair value through profit or loss	—	29,815	29,815	—	34,781	34,781	—	(57,332)	(57,332)
(Losses)/gains on liquidity fund1	—	(102)	(102)	—	720	720	—	(946)	(946)
Net foreign currency losses	—	(103)	(103)	—	(454)	(454)	—	(248)	(248)
Income from investments	13,642	—	13,642	13,798	—	13,798	15,717	—	15,717
Interest receivable and similar income	117	—	117	88	—	88	120	—	120
Gross return/(loss)	**13,759**	**29,610**	**43,369**	**13,886**	**35,047**	**48,933**	**15,837**	**(58,526)**	**(42,689)**
Management fee	(937)	(2,186)	(3,123)	(1,013)	(2,364)	(3,377)	(1,938)	(4,520)	(6,458)
Other administrative expenses[1]	(358)	—	(358)	(409)	—	(409)	(863)	—	(863)
Net return/(loss) before finance costs and taxation	**12,464**	**27,424**	**39,888**	**12,464**	**32,683**	**45,147**	**13,036**	**(63,046)**	**(50,010)**
Finance costs	(31)	(72)	(103)	(130)	(305)	(435)	(183)	(428)	(611)
Net return/(loss) before taxation	**12,433**	**27,352**	**39,785**	**12,334**	**32,378**	**44,712**	**12,853**	**(63,474)**	**(50,621)**
Taxation	(1,421)	—	(1,421)	(1,065)	—	(1,065)	(1,173)	—	(1,173)
Net return/(loss) after taxation	**11,012**	**27,352**	**38,364**	**11,269**	**32,378**	**43,647**	**11,680**	**(63,474)**	**(51,794)**
Return/(loss) per share (note 3)	**6.91p**	**17.15p**	**24.06p**	**7.04p**	**20.24p**	**27.28p**	**7.31p**	**(39.71)p**	**(32.40)p**

1 JPMorgan Euro Liquidity Fund: Due to change in EU Money Market Fund Regulations, effective from 18th March 2019, negative interest is no longer charged explicity. Instead, it causes the NAV per share to fall. Therefore for the six months ended 30th September 2019, negative interest was included over (losses)/gains on liquidity fund. In the comparative period/year, this was included in other administrative expenses.

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

	Called up share capital £'000	**Share premium £'000**	**Capital redemption reserve £'000**	**Capital reserves £'000**	**Revenue reserve[1] £'000**	**Total £'000**
Six months ended 30th September 2019 (Unaudited)						
At 31st March 2019	**7,974**	**1,312**	**7,662**	**608,269**	**12,591**	**637,808**
Net return	—	—	—	27,352	11,012	38,364
Dividend paid in the period (note 4)	—	—	—	—	(8,771)	(8,771)
At 30th September 2019	**7,974**	**1,312**	**7,662**	**635,621**	**14,832**	**667,401**
Six months ended 30th September 2018 (Unaudited)						
At 31st March 2018	**8,000**	**1,312**	**7,636**	**673,600**	**11,627**	**702,175**
Net return	—	—	—	32,378	11,269	43,647
Dividend paid in the period (note 4)	—	—	—	—	(8,799)	(8,799)
At 30th September 2018	**8,000**	**1,312**	**7,636**	**705,978**	**14,097**	**737,023**
Year ended 31st March 2019 (Audited)						
At 31st March 2018	**8,000**	**1,312**	**7,636**	**673,600**	**11,627**	**702,175**
Repurchase and cancellation of the Company's own shares	(26)	—	26	(1,857)	—	(1,857)
Net (loss)/return	—	—	—	(63,474)	11,680	(51,794)
Dividends paid in the year (note 4)	—	—	—	—	(10,716)	(10,716)
At 31st March 2019	**7,974**	**1,312**	**7,662**	**608,269**	**12,591**	**637,808**

1 This reserve forms the distributable reserve of the Company and may be used to fund the distribution to investors via dividend payments.

STATEMENT OF FINANCIAL POSITION
AT 30TH SEPTEMBER 2019

	(Unaudited) 30th September 2019 £'000	(Unaudited) 30th September 2018 £'000	(Audited) 31st March 2019 £'000
Fixed assets			
Investments held at fair value through profit or loss	**670,087**	**719,228**	**604,429**
Current assets			
Derivative financial assets	—	6	—
Debtors	1,748	13,087	7,871
Cash and cash equivalents	18,214	37,615	28,596
	19,962	**50,708**	**36,467**
Current liabilities			
Creditors: amounts falling due within one year	(22,647)	(8,864)	(3,084)
Derivative financial liabilities	(1)	—	(4)
Net current (liabilities)/assets	**(2,686)**	**41,844**	**33,379**
Total assets less current liabilities	**667,401**	**761,072**	**637,808**
Creditors: amounts falling due after more than one year	—	(24,049)	—
Net assets	**667,401**	**737,023**	**637,808**
Capital and reserves			
Called up share capital	7,974	8,000	7,974
Share premium	1,312	1,312	1,312
Capital redemption reserve	7,662	7,636	7,662
Capital reserves	635,621	705,978	608,269
Revenue reserve	14,832	14,097	12,591
Total shareholders' funds	**667,401**	**737,023**	**637,808**
Net asset value per share	**418.5p**	**460.7p**	**400.0p**

On behalf of the Board

4th December 2019

M. L.

Marc van Gelder

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

	(Unaudited) Six months ended 30th September 2019 £'000	(Unaudited) Six months ended 30th September 2018 £'000	(Audited) Year ended 31st March 2019 £'000
Net cash outflow from operations before dividends and interest	(3,901)	(2,365)	(6,805)
Dividends received	11,892	11,448	12,613
Interest received	1	—	—
Overseas tax recovered	455	80	168
Interest paid	(158)	(372)	(659)
Net cash inflow from operating activities	**8,289**	**8,791**	**5,317**
Purchases of investments and derivatives	(493,898)	(451,295)	(1,035,910)
Sales of investments and derivatives	470,427	536,093	1,143,506
Settlement of forward currency contracts	197	(204)	(133)
Net cash (outflow)/inflow from investing activities	**(23,274)**	**84,594**	**107,463**

Dividends paid	(8,771)	(8,799)	(10,716)
Repurchase and cancellation of the Company's own shares	—	—	(1,857)
Drawdown of bank loans	13,377	—	66,704
Repayment of bank loans	—	(68,969)	(160,313)
Net cash inflow/(outflow) from financing activities	**4,606**	**(77,768)**	**(106,182)**
(Decrease)/increase in cash and cash equivalents	**(10,379)**	**15,617**	**6,598**
Cash and cash equivalents at start of period	28,596	21,998	21,998
Exchange movements	(3)	—	—
Cash and cash equivalents at end of period	18,214	37,615	28,596
(Decrease)/increase in cash and cash equivalents	**(10,379)**	**15,617**	**6,598**
Cash and cash equivalents consist of:			
Cash and short term deposits	926	285	266
Cash held in JPMorgan Euro Liquidity Fund	17,288	37,330	28,330
Total	**18,214**	**37,615**	**28,596**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

1. Financial statements

The information contained within the financial statements in this half year report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 31st March 2019 are extracted from the latest published financial statements of the Company and do not constitute statutory accounts for that year. Those financial statements have been delivered to the Registrar of Companies, including the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

The financial statements have been prepared in accordance with the Companies Act 2006, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' of the United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the revised 'SORP') issued by the Association of Investment Companies in November 2014 and updated in October 2019.

FRS 104, 'Interim Financial Reporting', issued by the Financial Reporting Council ('FRC') in March 2015 has been applied in preparing this condensed set of financial statements for the six months ended 30th September 2019.

All of the Company's operations are of a continuing nature.

The accounting policies applied to this condensed set of financial statements are consistent with those applied in the financial statements for the year ended 31st March 2019.

3. Return/(loss) per share

	(Unaudited) Six months ended 30th September 2019 £'000	**(Unaudited) Six months ended 30th September 2018 £'000**	**(Audited) Year ended 31st March 2019 £'000**
Return/(loss) per share is based on the following:			
Revenue return	11,012	11,269	11,680
Capital return/(loss)	27,352	32,378	(63,474)
Total return/(loss)	**38,364**	**43,647**	**(51,794)**
Weighted average number of shares in issue	159,462,885	159,987,885	159,839,186
Revenue return per share	6.91p	7.04p	7.31p
Capital return/(loss) per share	17.15p	20.24p	(39.71)p

Total return/(loss) per share	**24.06p**	**27.28p**	**(32.40)p**

4. Dividends paid

	(Unaudited) Six months ended 30th September 2019 £'000	**(Unaudited) Six months ended 30th September 2018 £'000**	**(Audited) Year ended 31st March 2019 £'000**
2019 final dividend of 5.5p (2018: 5.5p) per share	8,771	8,799	8,799
2019 interim dividend of 1.2p per share	—	—	1,917
Total dividends paid in the period/year	**8,771**	**8,799**	**10,716**

All dividends paid in the period/year have been funded from the revenue reserve.

An interim dividend of 1.2p (2019: 1.2p) has been declared in respect of the six months ended 30th September 2019, amounting to £1,917,000.

5. Net asset value per share

	(Unaudited) Six months ended 30th September 2019	**(Unaudited) Six months ended 30th September 2018**	**(Audited) Year ended 31st March 2019**
Net assets (£'000)	667,401	737,023	637,808
Number of shares in issue	159,462,885	159,987,885	159,462,885
Net asset value per share	**418.5p**	**460.7p**	**400.0p**

JPMorgan Japanese Investment Trust plc

Annual Report & Financial Statements for the year ended 30th September 2019

J.P.Morgan
Asset Management

Your Company

Investment Objective

Capital growth from investments in Japanese companies.

Investment Policy

- To maintain a portfolio almost wholly invested in Japan.
- To use gearing to increase potential returns to shareholders. The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions.
- To invest no more than 5.0% in excess of the benchmark weighting in any investment at the time of purchase and 7.5% at any time.

Further details on investment objective and policy, together with investment restrictions and guidelines are given in the Strategic Report on pages 30.

Benchmark

The Tokyo Stock Exchange First Section Index ('TOPIX') expressed in sterling terms.

Capital Structure

UK domiciled. Premium listing on the London Stock Exchange. Constituent of the FTSE 250 Index.

As at 30th September 2019, the Company's share capital comprised 161,248,078 (2018: 161,248,078) ordinary shares of 25p each.

Management Company and Company Secretary

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager ('AIFM') and Company Secretary. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM'), which in turn delegates day to day investment management activity to JPMorgan Asset Management (Japan) Limited in Tokyo. Further details are given on page 35.

Find out more

More information about the Company can be found online at **www.jpmjapanese.co.uk**

Why invest in the JPMorgan Japanese Investment Trust PLC

Our heritage and our team

JPMorgan first opened its Tokyo office in 1969 and has over 40 years' experience in Japan in seeking out the most attractively valued Japanese sectors.

The Investment Team, based primarily in Tokyo, has a significant depth of experience in Japanese equity investments with an average of 14 years' employment with JPMorgan and some 19 years in the industry. They are supported by JPMorgan Asset Management's extensive resources around the world.

Our Investment Approach

A combination of desk-based research and company meetings contribute to our rating of a company. We consider the growth opportunity for the industry overall before considering the company's competitive positioning and management. This allows us to assess the company's potential for growth. We then look at financial metrics with a focus on cash flow and balance sheet strength to assess the overall economics of the business. We also consider governance issues such as shareholder returns, management strength and the track record on environmental and social issues. Only then do we consider valuations - we do not buy companies where the short-term valuation looks low if they do not have a strong long term growth outlook.

[1] Active share is a measurement of the difference in the Company's portfolio compared to the benchmark index as at 30th September 2019.
Source: JPMAM.

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Strategic Report

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED)

	2019	2018	3 Year Annualised	5 Year Annualised	10 Year Annualised
Return to shareholders[1,A]	-2.5%	+24.6%	+10.9%	+16.5%	+12.5%
Return on net assets[2,A]	-3.0%	+26.8%	+10.5%	+16.0%	+11.9%
Benchmark return[3]	-0.7%	+12.6%	+7.9%	+11.9%	+8.5%
Net asset return compared to benchmark return[3]	-2.3%	+14.2%	+3.1%	+7.0%	+8.2%
Annual dividend	5.0p	5.0p			

[1] Source: Morningstar.
[2] Source: Morningstar/J.P. Morgan, using net asset value per share, with debt at par value.
[3] Source: Morningstar. The Company's benchmark is the Tokyo Stock Exchange First Section Index (TOPIX) expressed in sterling terms.
[A] Alternative Performance Measure ('APM').
A glossary of terms and APMs is provided on pages 87 and 88.

SUMMARY OF RESULTS

	2019	2018	% change
Key financial data as at 30th September			
Shareholders' funds (£'000)	816,670	851,540	-4.1
Total assets (£'000)	930,003	991,003	-6.2
Net asset value per share with debt at par value[A]	506.5p	528.1p	-4.1
Net asset value per share with debt at fair value[1,A]	498.0p	523.6p	-4.9
Share price	441.0p	458.0p	-3.7
Share price discount to net asset value per share with debt at par value[A]	12.9%	13.3%	
Share price discount to net asset value per share with debt at fair value[1,A]	11.4%	12.5%	
12 month average share price discount to net asset value per share with debt at fair value[2,A]	9.0%	9.2%	
Exchange rate[3]	1 £ = ¥ 133.2	1 £ = ¥ 148.1	-10.1
Shares in issue	161,248,078	161,248,078	
Revenue for the year ended 30th September			
Gross revenue attributable to shareholders (£'000)	11,813	11,958	-1.2
Net revenue attributable to shareholders (£'000)	8,904	8,913	-0.1
Revenue return per share	5.52p	5.53p	-0.2
Dividend per share	5.00p	5.00p	
Gearing[A]	13.1%	14.7%	
Ongoing charges[A]	0.68%	0.67%	

[1] The fair value of the Company's ¥13 billion senior secured loan notes issued in August 2018 has been calculated using a discount rate based on the yield from a similar dated gilt plus a margin based on the five year average of the AA Barclays Yen Corporate Bond spread. The fair values of the Company's other financial liabilities such as bank loans are considered to have no material difference to their amortised cost therefore, prior to August 2018, the NAV per share with debt at fair value was the same as the NAV per share with debt at par value. Further details on the net asset value calculation are given in the Alternative Performance Measures on page 87.

[2] Morningstar/J.P.Morgan.

[3] For the year ended 30th September 2019, sterling depreciated against the Yen, resulting in a positive impact on the Company's net asset value.

[A] Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 87 and 88.

Christopher Samuel
Chairman

Investment Performance

Equity returns for the year to 30th September 2019 were poor in Japan. Disappointingly, after strong investment performance in the preceding financial year, the Company's net asset total return for the financial year underperformed the Company's benchmark, the TOPIX index in sterling terms, by some 2.3% (being a return of -3.0% compared with a total return from the benchmark of -0.7%).

The share price total return for the financial year also underperformed the benchmark but by a slightly smaller 1.8% (being a return of -2.5% compared to the benchmark return of -0.7%) as the discount narrowed slightly.

As highlighted in the Half Year Report, equity markets in Japan and around the world declined in the fourth quarter of 2018 (which is the first quarter of the Company's financial year). High growth companies of the sort favoured by the Manager's investment approach (which is set out on page 9) and which therefore constitute the majority of the Company's portfolio, were particularly badly affected and this resulted in the portfolio underperforming the benchmark in the fourth quarter of 2018 by 9.0%. This was partially offset by outperformance in the first calendar quarter of 2019 of 7.2% as markets and the stocks in the portfolio recovered. When taking the six months to 31st March 2019 in totality net asset total return underperformance was -3.7%.

In the second half of the year, the Company's portfolio continued to outperform its benchmark

I am pleased to report that in the second half of the year, the six months to 30th September 2019, the Company's portfolio has continued to outperform its benchmark by +2.0%. The net asset total return underperformance for the financial year to 30th September 2019 was -2.3% compared to -3.7% for the half year period.

On a further positive note, since the year end the net asset total return as at 30th November 2019 has outperformed the benchmark by 1.85%; the share price total return as at 30th November 2019 has similarly outperformed by some 6.36%.

Given the investment approach taken by your Manager, there will be periods of short term underperformance of the sort experienced in the fourth quarter of 2018 and it is therefore important also to focus on the long term performance track record which your Board believes is very encouraging. The Company's annualised net asset total return over three, five and ten years amounts to +10.5%, +16.0% and +11.9%, respectively, an annualised outperformance of +3.1%, +7.0% and +8.2% compared to the benchmark index over these periods. The share price total returns for the same periods are similar and are set out on page 4.

The Investment Managers' Report on pages 9 to 19 reviews the markets and provides more detail on the Managers' investment approach and process, the resulting investment performance, the investment rationale for many of the stocks in which the Company is invested along with details of the stocks that have contributed and detracted most from performance.

Revenue and Dividends

Income received during the year was essentially unchanged, with earnings per share for the full year falling slightly to 5.52p (2018: 5.53p).

The Board's dividend policy is to pay out the majority of the revenue available each year. The Board therefore proposes, subject to shareholders' approval at the Annual General Meeting, to pay a final dividend of 5.00p per share (2018: 5.00p) on 24th January 2020 to shareholders on the register at the close of business on 27th December 2019 (ex-dividend date 24th December 2019).

Gearing and Long Term Debt

The Board reviews the Company's gearing policy and guidelines regularly. These remained unchanged, so that in normal market conditions the gearing should be within the range of 5% net cash to 20% geared. At the beginning of the year the gearing level was 14.7% and at the end of the year was 13.1%, averaging 12.0% over the year.

The Company's borrowings are made up of two elements; the Yen 13 bn Senior Secured Loan Notes and a Yen 11 bn revolving credit facility. The revolving credit facility, previously with National Australia Bank, was renewed earlier this month with Scotiabank. Further details are set out on page 76.

Discount Management

During the period under review the discount to net asset value at which the shares trade ranged between 12.8% and 4.4%, with a one year average of 9.0%. This compared to the peer group average range of 8.9% to 0.8% (2018: 0.0% to 6.8%) and a one year average of 5.4% (2018: 3.8%).

The Board remains focused on the discount and is working closely with the Manager to increase the Company's marketing efforts to help reduce the discount.

Environmental, Social and Governance Issues

The Board believes that the Managers have long had a constructive and thorough approach to environmental, social and governance ('ESG') issues, not only in the way in which ESG considerations are incorporated into their investment decisions but also in the way in which they continue to engage with companies in the portfolio on important ESG matters. The Board believes that effective stewardship can help create sustainable value for clients.

As investors take ever greater account of ESG issues when deciding on which investment vehicle to use, and as the industry moves towards greater disclosure of its engagement with investee companies, the Board believes that JPMorgan's deep experience in integrating its dedicated ESG resource with its team of fund managers and analysts based in Japan, supported by a dedicated local ESG resource, provides competitive advantage for the Company.

In this report on pages 20 to 25, we have added to the more comprehensive material included in the 2019 Half Year Report and in particular provided further details on the Managers' ESG processes.

Management Evaluation and Fees

During the year the Management Engagement Committee undertook a review of the Manager which took account, amongst other things, of the Manager's investment performance record, investment team and processes, investment style, resources and risk control mechanisms.

The Board also conducted its annual detailed review of management fees during the year. It concluded that the current Ongoing Charges rate of 0.68% is competitive compared to the Company's peer group.

The Board

Sally Macdonald was appointed as a Director following the 2018 Annual General Meeting in December and has proved an excellent addition to the Board.

During the year the Board undertook an externally facilitated evaluation of itself and its Board committees in accordance with good corporate governance practice and concluded that the Board retains the various skills and experience it needs and works well together.

As outlined in the Half Year Report, the Board's retirement schedule suggests that we would not currently anticipate any Board changes until 2022. However, the Board attaches great importance to the principles on diversity included in the Hampton-Alexander Review and is very well advanced with its plans to be in full conformity with its recommendations on diversity by the end of 2020.

Foreign Exchange and Foreign Trade Act

Japan's parliament has recently passed a bill amending the Foreign Exchange and Foreign Trade Act. While the full impact of the amendments remains unclear, the Manager sets out details of what is known and their current thinking on what this could mean for the Company, in the Investment Managers' report on page 19.

Annual General Meeting

This year's Annual General Meeting will be held on Friday, 17th January 2020 at 12.30 p.m. at 60 Victoria Embankment, London EC4Y 0JP.

As in previous years, in addition to the formal part of the meeting there will be a presentation from the Investment Managers who will answer questions on the portfolio and investment performance. There will also be an opportunity to meet the Board and representatives of JPMorgan Asset Management after the meeting.

If you have any detailed or technical questions, it would be helpful if you could raise these in advance of the meeting with the Company Secretary at 60 Victoria Embankment, London EC4Y 0JP. Alternatively, questions may be submitted via the Company's website (www.jpmjapanese.co.uk).

Shareholders who are unable to attend the AGM are encouraged to use their proxy votes. Proxy votes may be lodged electronically, whether shares are held through CREST or in certificate form, and full details are set out on the form of proxy.

I look forward to welcoming as many of you as possible to this meeting.

Outlook

The Investment Managers have set out their views on the outlook for Japanese equities on page 19 of the Investment Managers' Report.

Christopher Samuel
Chairman 13th December 2019

Performance

In the 12 months to 30th September 2019 the Company produced a total return on net assets of -3.0%, in sterling terms and shareholders received a total return of -2.5%. These compare with a total return of -0.7% from the Company's benchmark index, the TOPIX Index in sterling terms. Over the three and five years to the end of September 2019 the Company's annualised net assets have returned +10.5% and +16.0% respectively, compared to +7.9% and +11.9% for the benchmark, also all in sterling, with a share price return of +10.9% and +16.5% over the same periods. The average level of gearing over the 12 month period to 30th September 2019 was 12.0%, which detracted from returns given the overall decline in the market.

Nicholas Weindling
Investment Manager

Investment Philosophy and Process

Our investment approach emphasises individual stock selection to build a portfolio of quality growth stocks with strong future growth prospects. This means that, within some broad portfolio risk limits, the Company's portfolio is likely to differ materially from the benchmark index as we will usually avoid companies and sectors that face structural issues even if they are a large constituent of the benchmark index.

The opportunity to find attractive opportunities is enhanced by the fact that the Japanese market is under-researched when compared with other developed equity markets. With well over 50% of the constituents of the Company's benchmark index being covered by no more than one provider of broker research, there are significant opportunities to identify sources of return from Japanese equities that are not well known. Against the background of a market with poor sell-side coverage, we have the resources in Japan to carry out our own research and identify attractive investment themes and companies. Our Tokyo-based investment team consists of 24 investment professionals who have carried out over 4,000 company visits in the past year.

Miyako Urabe
Investment Manager
(with effect from
22nd May 2019)

A combination of desk-based research and company meetings contribute to our rating of a company. We consider the growth opportunity for the industry overall before considering the company's competitive positioning and management. This allows us to assess the company's potential for growth. We then look at financial metrics with a focus on cash flow and balance sheet strength to assess the overall economics of the business. We also consider governance issues such as shareholder returns, management strength and the track record on environmental and social issues. This allows us to assign a strategic classification to each company. The highest rating is 'Premium' followed by 'Quality' and then 'Trading'. We assign the lowest rating, Trading, to approximately 80% of the TOPIX index, whereas for the Company over 75% of portfolio companies are classified as either Premium or Quality as shown by the chart below. Only then do we consider valuations - we do not buy a company where the short term valuation looks low unless it has a strong long term growth outlook. In addition, for a company to attract a 'Premium' rating it must also survive a positive 'ESG' vetting process because in our experience a company that scores poorly in ESG terms may well also carry business risks we would seek to avoid. For further information on ESG please see pages 20 to 25 in this report which discusses our ESG approach and activities.

The work carried out in looking through the under-researched parts of the market helps us build a portfolio that is comprised of a number of high conviction holdings which we expect to hold for long periods of time. At the year end the portfolio held 61 different stocks, compared to over 2,000 benchmark constituents. 27 stocks, representing over 62% of the portfolio, have been held continuously for more than three years; 13 stocks, representing over 30% of the portfolio, have been held continuously for more than five years.

Strategic classification: Portfolio Benchmark

Source: J.P. Morgan Asset Management, Factset, IBES. Strategic classification percentages exclude cash. Strategic classifications for the portfolio and index are market-cap weighted.

Portfolio Themes

In building the Company's investment portfolio we have identified several key themes that underlie much of our stock selection. We believe these themes have already been in place for five years and will be long term resilient sources of return for Japanese companies for years to come. The extent to which an individual company is a beneficiary of one or more of these themes adds to the attractions of the company. Below we explain these themes, give the weighting of each theme in the portfolio and give examples of companies that exhibit them.

Japanese Brands & Tourism

One of the most visible changes in Japan over the last five years has been the boom in inbound tourism. In 2012 8.4 million tourists visited Japan. By the end of 2018 this number had increased to 31.2 million*. This trend is primarily driven by rising wages across Asia leading to a growing middle class who want to travel more. We believe that growth in tourism to Japan is a long term structural trend. Whereas Asian tourists visiting Europe often purchase luxury goods, tourists visiting Japan are also attracted to products including skin cream, medicines, cosmetics and baby goods. These products are perceived as high quality, safe and reliable. Additionally, not only do Asian consumers buy these products when visiting Japan but continue to do so once they return to their home countries.

*(https://www.tourism.jp/en/tourism-database/stats/).

Shiseido
Kao
FAST RETAILING
Square Enix
Nintendo
Oriental Land
DAIKIN INDUSTRIES
Suzuki Motor
Pigeon
Milbon
NEXON
Asics
Tomy

Highlighted Company: Fast Retailing

Fast Retailing is one of the world's largest manufacturers and retailers of private label apparel and operates multiple brands including UNIQLO, GU and Theory. It offers high quality, reasonably priced clothing and manages everything from procurement, design and production to retail sales. It is expanding rapidly outside of Japan and in 2018 overseas sales surpassed those of Japan for the first time. China, in particular, is driving strong growth where the company has a plan to open over 100 UNIQLO stores a year. Online sales are also growing rapidly. At the same time the company has significantly improved efficiency, most recently through a new large distribution center in Tokyo that only requires 10% of the staff needed to operate the previous facility.

Uniqlo stores worldwide

Source: J.P. Morgan Asset Management, Fast Retailing, Shutterstock, data as at 28th February 2019.

Internet

Japan is a very advanced country in some respects but, perhaps surprisingly, it lags in others. A prime example is e-commerce where the penetration of online shopping is lower than in many developed nations. Similarly, the percentage of cashless transactions is very low at c. 20% versus well over 50% in the UK. However, change in Japan is following a similar pattern as in other countries allowing us to look at business models that have been successful in other markets and find Japanese equivalents.

Recruit
MonotaRO
SoftBank
GMO Payment Gateway
Infomart
CyberAgent
ZOZO
SBI
Mercari
Digital Garage
Otsuka
RAKSUL
Zenrin
Bengo4.com
Sansan
UUUM
istyle
Uzabase
Money Forward

Highlighted Company: UUUM

UUUM is Japan's leading online influencer talent management agency. It manages seven of the top 10 and 39 of the top 100 stars on YouTube Japan. The influencer market in Japan is only around US$0.5 billion compared to more than US$20 billion in China. The trend for stars to monetise via merchandising is at a very early stage in Japan; however, we believe this will continue to evolve.

Comparison of Japanese and Chinese Influencer Markets

Source: UUUM, PWC Consulting LLC Research, Shutterstock, as at 31st May 2019.

Automation

Wages in China, the workshop of the world, have increased almost three fold in the last ten years, affecting the profitability of companies that manufacture in China. To mitigate this margin pressure, some companies are automating production. In addition, discussions on tariffs are resulting in companies starting to reconsider production locations, and other companies are shifting production to be nearer to end consumers in the West; these tend to be in to higher cost locations which creates pressure for increased automation. Japanese companies are leaders in factory automation with several being global leaders in their respective fields.

Keyence
Shin-Etsu Chemical
Nidec
SMC
Lasertec
Makita
Misumi

Automation *(continued)*

Highlighted Company: Keyence

We have held Keyence, a factory automation business that manufactures sensors, since November 2011. It has experienced rapid growth worldwide with rising demand for its products and has seen its percentage of overseas sales increase from 25% to in excess of 50% over the last ten years. Keyence also has one of the highest operating margins of any industrial company anywhere in the world at over 50%. Keyence employees are the most well-paid of any company in the Industrial sector in Japan and rewarded on the basis of their profit contribution. We consistently seek this alignment of interests between employees and shareholders.

Over the past 12 months Keyence's growth rates have slowed as global economic growth has been more muted. However, its results have been much better than key competitors, demonstrating the strength of the business model. We believe the company continues to be highly competitive with strong growth prospects for many years to come.

Operating profit margins of factory automation-related companies

Source: Bank of America Merrill Lynch Global Research, Shutterstock. J.P. Morgan Asset Management, data as at 31st March 2019.

Improving Corporate Governance

Tokio Marine
Hikari Tsushin
Japan Exchange

From an investor stand point the single most important change in Japan since Shinzō Abe became Prime Minister is the improvement in corporate governance which began with the adoption of a stewardship code and was followed by a corporate governance code. As a result we have witnessed steady increases in both dividends and share buybacks, a rise in the number of independent directors on company boards and increasing numbers of companies officially providing return on equity and/or return on asset targets. Although the pace of change is moderate, we believe this trend will endure, directly benefitting shareholders. During the last year we have seen an increase in shareholder activism and more aggressive corporate activity, with one of our holdings, Ci:z, being acquired by Johnson & Johnson. In due course, these steady improvements and changes may help Japanese equities to close the valuation discount compared to other developed markets. Additional comment in relation to the Foreign Exchange and Foreign Trade Act is set out below.

Highlighted Company: Hikari Tsushin

Hikari Tsushin owns a variety of businesses targeting small and medium sized enterprises that generate strong recurring revenues and free cash flow. 25% of its sales are the result of cross-selling. The company is returning this cash to shareholders in the form of dividends and buybacks. In the last ten years dividends per share are up almost six times while buybacks have reduced the number of shares outstanding by almost 20%. In the 2019 financial year the company grew its operating profit by over 30%.

Hikari Tsushin: dividends per share

Source: J.P. Morgan Asset Management, Bloomberg.

Healthcare

People are living longer. More illnesses are treatable and procedures are becoming less risky. People living longer and healthier lives is a good thing but over the long term it also means that healthcare spending will need to keep rising.

Highlighted Company: M3

M3
Peptidream
Asahi Intecc
Sysmex
Tsumura
Nakanishi

The company operates the number one website used by doctors in Japan and the UK (amongst other countries). This core business enables pharmaceutical companies to reduce their marketing expenses by promoting their products online. Governments are putting increasing pressure on pharmaceutical companies to reduce drug prices as they try to control healthcare expenditure. Any reduction in marketing expenses will therefore ease pressure on research and development costs.

Doctor's time allocation on sourcing drugs compared to pharmaceutical companies' sales budget allocation

Sources: M3, J.P. Morgan Asset Management, Shutterstock, as at 31st December.

Ageing Population

Japan's population is ageing and falling. Today there are over 125 million people living in Japan but by 2050 this will fall by around 20%; older people will make up an increasingly large percentage of the total population. This may be bad news for many companies with a domestic bias as demand for their products will drop in the long term. It is, however, good news for a small number of other companies in various ways.

OBIC
Nihon M&A Center
Relo Group
Welbe
Grace Technology
COSMOS Pharmaceutical
TeamSpirit

Ageing Population *(continued)*

Japanese population breakdown by age

Source: National Institute of Population and Social Security Research, J.P. Morgan Asset Management. Data is as at 13th May 2019.

Highlighted Company: OBIC

OBIC provides computer systems and support, primarily for small and medium sized businesses in Japan. It is highly profitable and in the financial year ended March 2019 it generated an operating margin of over 50%, an increase from 33% in March 2010.

50% of Japanese companies have their own proprietary computer systems. These are increasingly expensive and difficult to maintain, particularly as the working population declines resulting in a lack of software engineers. According to the Ministry of Economy, Trade and Industry, by 2025 70-80% of software costs will be maintaining legacy systems. This creates a strong tail wind for OBIC's standardised product offering.

OBIC Operating Margin

Source: J.P. Morgan Asset Management, Bloomberg.

Stock Specific

Of course, not all the companies we are attracted to have exposure to these themes. We also own shares in companies with specific products, circumstances or management which offer the potential for attractive long term returns.

Highlighted Company: Japan Elevator Service ('JES')

Pan Pacific International Holdings
Miura
Riso Kyoiku
Japan Elevator Service
ARUHI
Nifco

JES is Japan's largest independent elevator maintenance company. In Japan only 20% of elevators are serviced by independent companies whereas in the West it is around 50%. Using JES can save between 20% and 50% compared to the original manufacturer's charges and as such we expect it to continue to increase its market share. It can also help modernise old elevators at significantly lower costs. In the long-term we expect operating margins to expand and free cash flow generation to be strong.

Market Share of Independent Elevator Maintenance Companies Worldwide

Sources: based on JES research.

Market Share of Independent Elevator Maintenance Companies in Japan

Sources: based on research by Mitsubishi UFJ Research and Consulting.

PERFORMANCE ATTRIBUTION
YEAR ENDED 30TH SEPTEMBER 2019

	%	%
Contributions to total returns		
Benchmark return		-0.7
Sector allocation[1]	1.9	
Stock selection	-1.9	
Gearing/cash	-1.6	
Investment Manager contribution		-1.6
Portfolio return		-2.3
Management fee/other expenses	-0.7	
Other effects		-0.7
Return on net assets - Debt at par value[A]		-3.0
Impact of fair value of debt	-0.8	
Return on net assets - Debt at fair value[A]		-3.8
Return to shareholders[A]		-2.5

Source: JPMAM and Morningstar. All figures are on a total return basis.
Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark.
[A] Alternative Performance Measure ('APM').
[1] Sector allocation is shown for illustrative purposes only.
A glossary of terms and APMs is provided on pages 87 and 88.

Investment Performance

The themes to which the portfolio is exposed have not changed during the year under review. The financial characteristics of the portfolio are also unchanged from last year: balance sheets and free cash flows are stronger; earnings growth faster and return on equity higher than the market as a whole. For example, as at 30th September 2019 the holdings in the portfolio generated an average return on equity of 16.6%, compared to the benchmark return on equity of 11.3%. The portfolio valuation metrics, such as the price earnings ratio, are also higher than the market average but we believe the strong long-term growth prospects of the companies we own more than justify this.

We also have a bias to mid and smaller sized companies reflecting the fact that coverage of these companies by analysts is poor. This provides us with the opportunity to identify investments overlooked by the broader market. These companies also tend to have more focused business models. Investors should expect to continue to see these characteristics in the portfolio over the economic cycle.

Over the year under review, we made some changes to the portfolio although annualised turnover was reasonably low at 18%. The number of holdings was unchanged at 61 stocks. Taking advantage of the closed end nature of the Company means we do not have to worry about daily liquidity and therefore we increased exposure to some smaller companies. The portfolio can invest in the very best Japanese companies across the entire market cap range. The gearing level moved from 14.7% to 13.1% compared to a year ago.

The largest new purchases were Fast Retailing and Oriental Land, with additions to our holdings in Kao, OBIC and Pan Pacific International Holdings (formerly named Don Quijote).

The most significant sales were Mitsubishi UFJ Financial Group, Trend Micro and Komatsu, with reductions to Cyber Agent and Pigeon.

The Company underperformed the benchmark over the review period. This was primarily due to a sell-off in growth stocks in October 2018, the first month of the Company's financial year and gearing at that time. Both growth stocks, which tend to trade on higher short-term valuations, and stocks which had previously performed well following good results, were weak. The Company has high exposure to stocks in both of these categories as we believe that the outstanding long-term growth profiles of portfolio companies more than justify their valuations. We do not have a short term trading approach and believe that a recent relative increase in share price is an insufficient reason to sell a stock - there are several examples of stocks we hold that have increased several fold during our ownership.

The market volatility mentioned in the previous paragraph arose largely as a result of uncertainty around rising interest rates in the US, concerns over global economic growth and a potential trade war between China and the US. During the remainder of the financial year the Company's performance significantly improved as concerns over rising interest rates dissipated. In this environment investors sought out high quality companies with strong balance sheets and free cash flows with growth that does not depend on the global economic cycle. These are exactly the types of stocks the Company is exposed to in the portfolio. We continue to have confidence in the long-term attractions of these companies.

During the year the top contributing stocks included Pan Pacific, Hikari Tsushin, Tokio Marine, M3 and Keyence. Three of these companies are discussed above. The remaining two top contributors to stocks were:

During the year the top contributing stocks included Pan Pacific, Hikari Tsushin, M3 and Keyence

- **Tokio Marine** (Investment Theme - Corporate Governance), Japan's number one non-life insurance company, remains a significant position in the Company's portfolio. The top three companies in this sector have an overwhelming 90% domestic market share. There are significant improvements in corporate governance in this sector. Tokio Marine has increased its dividend per share fivefold over the last 10 years while buybacks have resulted in the number of shares outstanding decreasing by over 10%.
- **Pan Pacific International Holdings** (Investment Theme - Stock Specific) *(formerly named Don Quijote)* operates a chain of discount stores. It is a major 'disruptor' in the Japanese retail industry with a low cost structure that allows it consistently to beat incumbents. It adjusts merchandise depending on the prevailing economic trend and has proved successful in both inflationary and deflationary environments. The company is also increasingly successful in new areas such as food and products for tourists. For example the percentage of sales to tourists has increased from roughly 1% five years ago to over 10% now. During the period the company announced its acquisition of competitor, Uny. Stores that have completed their conversion into Don Quijote stores have seen sales rise almost two-fold. The company has a strong track record on such acquisitions, having bought Nagasakiya in 2007.

The largest detractors to performance were:

- **Cyber Agent** (Investment Theme - Internet) is Japan's number one online advertising agency. It also operates games for mobile phones and is investing in online television. The penetration of online advertising in Japan is much lower than other developed markets and CyberAgent continues to increase its share. The shares have struggled following the company's downward revision to its earnings projection due to poor sales in its mobile game business.
- **Pigeon** (Investment Theme - Japan Brand) is a manufacturer of baby goods with 75% of the Japanese baby bottle market. It is expanding rapidly across the Asian region. The shares have performed strongly over several years and were caught in the general market weakening in Autumn 2018 rather than there being a particular reason for the underperformance.
- **Zenrin** (Investment Theme - Internet) is Japan's number one producer of maps. The company is shifting its business model to focus on recurring revenues selling its high-precision content to businesses. The shares underperformed after a partnership with Google was terminated. We continue to monitor this company.
- **Makita** (Investment Theme - Stock Specific) manufactures power tools. The company is expanding into the outdoor power equipment market. This is attractive because the market is twice the size of its core business. Tougher emission regulations are a tailwind for the adoption of battery powered equipment. The shares underperformed because of concerns the slowing global economy would impact short-term earnings.
- **Toyota Motor** (Not Held) is the world's largest car company. It has enjoyed relatively robust earnings over the past year. However, we believe it faces structural headwinds and competitive pressures in the long-term and continue not to own the shares.

  At the end of September 2019, the largest overweight positions compared to the TOPIX index were in M3, Shiseido, Keyence, Kao and Fast Retailing.

Foreign Exchange and Foreign Trade Act

As discussed in the ESG report on the following pages, there has been continued improvement in corporate governance over the last year in Japan, as evidenced by rising dividends and increasing share buybacks. However, Japan's parliament has recently passed a bill amending the Foreign Exchange and Foreign Trade Act. The revision has attracted attention as it lowers the pre-disclosure threshold from the current 10% to 1% for investments by foreign investors in sensitive industries. The full impact of the amendments is as yet unknown, with further clarification required, for example, on the scope of foreign investors exempt from the rules. Draft rules are expected to be published in February 2020, followed by a period of public consultation before the law becomes operational in Spring 2020. Concerns have been raised by some investors over the potential corporate governance implications, in particular for activist investors, as exemptions will not apply to foreign investors who make 'important proposals' to companies. Based on our interpretation of the information available at the current time, we believe the amendments will not impact the stewardship activities of JPMAM and its ability to invest on behalf of the Company, as the definition of the 'important proposal' provision relates to limited types of action by shareholders, such as the tabling of a shareholder proposal to nominate a director. We will monitor developments and report further in more detail in the Company's Interim Report.

The companies we have invested in have strong structural growth outlooks

Market review and outlook

The Company focuses on individual stocks rather than trying to predict the direction of the global economy. However, there have been important events during the year.

The Japanese market is more cyclical than other developed markets and can thus be commensurately more impacted by global economic developments, both positively and negatively. Over the last year concerns about the trade war between the US and China have continued, together with the effect this may have on corporate earnings. Indeed, companies have already lowered forecasts because of these concerns. In Japan, the ruling Liberal Democratic Party convincingly won the Upper House election in July while key economic and political measures, such as the lowest unemployment rate for twenty years, remain robust. In October 2019 the consumption tax rate was increased from 8% to 10%. We await to see the effect of this decision. The Rugby World Cup was highly successful in terms of impeccable organization, high attendance and boosting Japan's profile; and we can look forward to something similar with the Olympics in 2020.

The companies we have invested in have strong structural growth outlooks, competitive positions and balance sheets and we believe they will perform well in the long-term regardless of the performance of the wider global economy. The level of gearing currently deployed reflects our conviction in the companies that we own.

Nicholas Weindling
Miyako Urabe
Investment Managers
Tokyo

13th December 2019

Introduction

An increasingly broad spectrum of investors now focus not simply on return, risk and investment process issues but also on 'ESG' issues for their portfolios. They want to know that their managers are aware of these issues, that they take them into account in building their portfolios and that they raise issues directly with investee companies.

Simplistic negative or positive screening has dwindled in popularity. Investors expect to see an integrated approach to ESG and that this approach is clearly linked to driving financial returns, both through portfolio construction and Stewardship. These pages describe the approach pursued by JPMorgan Asset Management Japan on behalf of your Company. JPMorgan Asset Management in Japan has long been a leader in using such an integrated approach, seeking companies that run their businesses in a sustainable way, treating minority shareholders fairly and engaging in practices likely to enhance the company's reputation, not compromise it.

We believe an active approach has particular relevance in Japan, where widespread shareholder engagement is a more recent phenomenon but where, equally, it is beginning to prove effective. While many of the companies in which we invest score relatively highly on ESG matters (which is one reason why we invest in them), there is always room for improvement. There are other companies in the portfolio which score less highly and where engagement can make a real difference and, hopefully, thereby also add value to the portfolio. Effective engagement requires detailed research, patience and persistence. In Japan it is best done discreetly and must be done in Japanese which means it can only easily be done by experienced local staff.

The Background to ESG in Japan

From an investor standpoint, one of the most important changes in Japan since Shinzō Abe became Prime Minister has been the move towards better corporate governance. Historically in Japan, corporate governance has often been poor, with few independent external directors, a lack of board diversity, insufficiently independent audits, significant cross shareholdings and inefficient use of capital. Although some individual companies took steps much earlier, more widespread improvements only came with the introduction of the Japanese Stewardship Code in 2014 (the '2014 Code'), modelled on the UK Stewardship Code. This was partly as a result of Prime Minister Abe's economic revitalisation programme, designed to help promote better capital allocation, and partly as a result of longstanding pressure from foreign investors regarding shareholder rights compared to those of other stakeholders. In addition, there had been a series of corporate scandals where governance had played a major role, such as Olympus, Toshiba and Tokyo Electric Power. While there had been earlier enhancements to company law, the introduction of the 2014 Code was an important step. Subsequently the Tokyo Stock Exchange launched the JPX-Nikkei 400 Index and began issuing guidance on good corporate governance and the Japanese FSA began monitoring compliance with the 2014 Code. Following the Global Financial Crisis (GFC), the number of activist investors in Japan increased, adding to the pressure for better governance, especially in relation to capital allocation.

The 2014 Code highlights the responsibility for institutional investors to engage constructively with investee companies to maximise their growth over the mid to long term. JPMorgan Asset Management (Japan) Ltd. had long followed UN Principles for Responsible Investment ('UNPRI') in Japan (see section below) and adopted its local code in 2014.

UN Principles for Responsible Investment

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

Source: PRI.

Japan's Government Pension Investment Fund (GPIF), the largest asset owner in the world, followed with demands on their investment managers to fulfill their stewardship responsibilities. The implementation of the corporate governance code in 2015 (the '2015 Code') introduced fundamental principles for corporate governance to listed companies, covering issues such as board structure and capital allocation. It is notable that from 2016/17 onwards domestic Japanese equity managers have stepped up their levels of engagement and voting, which 10 years ago was largely the province of foreign investors. Following a revision to the 2014 Code in 2017, investment managers are now also providing details of voting at individual meetings.

As a result of these changes, we have witnessed a rise in the number of outside directors that sit on company boards and steady increases in both dividends and share buybacks, as shown in the chart below.

Source: Goldman Sachs.

We have also seen a steady rise in activism over the last ten years with more specialist funds established and more ventures by foreign based activists. Although initially reviled and rejected by many Japanese institutions, they are now increasingly seen as an inevitable part of a capitalist system which offers reasonable rewards to shareholders as opposed to simply lenders, management and other stakeholders. Even today, they are often rebuffed but, at the margin, they are contributing to a change in climate in Japan, not least in the allocation of capital. Additional comment in relation to the Foreign Exchange and Foreign Trade Act is included in the Investment Managers' Report on page 19.

During this year's peak annual general meeting season in June, the meetings of companies such as Lixil and Nissan Motor (neither of which are in the portfolio) proved to be test cases as to whether Japanese corporates and the investor community have made meaningful progress in terms of corporate governance and stewardship. Controversies at these companies, resulted in significant interest over the outcome of directors' elections.

Governance issues at Lixil Group, a housing products conglomerate, attracted attention following the abrupt resignation of the CEO, Kinya Seto, in October 2018. Two competing sets of candidates were put forward as potential directors at the company's annual general meeting in June 2019: eight directors proposed by shareholders, including Mr Seto, and another set of eight directors proposed by the company.

The JPMorgan Asset Management approach

We believe that ESG factors, particularly those related to governance, will play a critical role in a long-term investment strategy. Companies that address ESG issues and adopt sustainable business practices are better placed to maximise their performance and create enduring value for shareholders.

The JPMorgan Japan uses an active bottom-up process, with emphasis placed on direct contact with companies. ESG is fully integrated into the investment process, with ESG factors systematically and explicitly considered through a Risk Profile analysis on the economics, duration (which includes sustainability) and governance of a company; this is to ensure there is due focus on potential risks. Three quarters of the issues addressed focus on governance and specific ESG questions, including shareholder returns, management strength and the track record on environmental and social issues. Through this process, we seek to understand the company specific or external factors which could negatively impact the company and identify issues to be addressed in future engagements.

JPMorgan Asset Management Japan has recently updated its ESG questions in its Risk Profile analysis; the expectation now is that a company should have a credible plan to reduce greenhouse gas emissions and publish a public domain document such as a Sustainability Report (or equivalent), articulating its overall strategy on sustainability. There is also further scrutiny of a company's positioning with regard to climate change and the use of natural resources.

Following this Risk Profile process, a strategic classification of Premium, Quality or Trading is assigned to the company. This is an assessment of the company's potential for long term value creation, referencing the number of issues or 'red flags' identified through the Risk Profile analysis. The highest rating of Premium can only be applied to companies that meet this rigorous ESG screening. Only 3.1% of the benchmark for the Company's portfolio meets the Premium criteria, while the portfolio itself has a much higher exposure, of 28.7%. The average number of red flags for holdings in the portfolio was 8.53%, compared to 13.67% for the benchmark.

In our view, while corporate governance issues have a very direct bearing on the risk/reward profile of the Company's portfolio, environmental concerns are today also a crucial part of the investment landscape in part due to the impact they can have both on managing risk and on investment returns and cash flows. These concerns can vary company by company but we aim to make a clear assessment of the relevant environmental issues and build them into our decision-making process. We also take clear account of social issues where the same is true.

We seek to identify investee companies that run their businesses in a sustainable and efficient way, with high quality board decision-making, and aim to influence their behaviour and encourage best practice through dialogue. While we are always focussed on efficient use of capital and efficient capital structures we have engaged broadly on multiple topics that affect valuation and propriety. The introduction of the Codes has led to greater willingness on the part of a number of companies to engage.

Ongoing Engagement

Our commitment to sustainable investing extends beyond the initial investment, as we incorporate ESG issues into our ownership policies and practices.

The following are examples of topics discussed during recent engagements:

Clean Energy/Carbon Emissions
We have encouraged a construction company to set a meaningful carbon emission reduction target, such as a commitment to a net carbon zero target by a set date, rather than broad target of reducing emissions by 80% over a 60 year period.

Cyber Security
While a railway operator strengthens measures related to physical security, we have discussed the lack of disclosure on a cyber security policy, at a time when the company is increasing online booking and ticketless operations.

Nomination and Remuneration Committees
Japanese companies have increasingly established voluntary nomination and remuneration committees. However, we note the chairman of such committees can be an insider, such as the CEO. We are strongly encouraging the appointment of an outsider as the chair of such committees.

The Japanese corporate governance specialists work closely with seven colleagues in the Global Equities Corporate Governance team located in London, New York and Hong Kong. The team seeks to identify key global ESG themes and priorities and share best practice in relation to corporate behaviour or disclosures.

Our team of corporate governance specialists based in Japan conducted 83 meetings between October 2018 and September 2019 specifically to discuss ESG issues, of which 21 were with companies held by the Company. In order for these meetings to be effective our ESG specialists conducted detailed research on a wide range of possible ESG issues each company faces. They also undertake comprehensive analysis on the issues they regard as most important (and where their engagement is likely to have a meaningful impact) in order to have constructive discussions and persuade the companies to respond positively.

Over the same period, the governance specialists conducted 35 meetings which were also attended by portfolio managers and analysts. These were often meetings with top management, where we discussed both the long term strategy of the company and particular ESG issues of concern.

Source: JPMorgan Asset Management (Japan) Ltd.

Environmental

Regardless of the sector, we have noted that companies in Japan are now increasingly tackling the environmental challenges they face. While a company's actions may still not be as comprehensive as we ultimately expect, we see progress is being made. The recent actions of **Fast Retailing** (operator of Uniqlo stores) place a greater focus on sustainability. For example, the company has recently announced that it will reduce the use of single-use plastic by up to 85% to the end of 2020. **JFE Holdings**, the steel manufacturer, has now disclosed its climate-related scenario analysis in accordance with the Task Force on Climate-related Financial Disclosures (TCFD). While we have avoided investment in the Japanese steel industry as it is not sufficiently competitive, we welcome this step taken by the company looking at both the risks and the opportunities it faces in light of climate-change risks.

Social

We have engaged with **CyberAgent** on a range of social issues including cyber security and data privacy issues, as we viewed the company's public domain statements as being weak. The company has now renewed its policies, as well as updating its public disclosures on these issues. In addition, we sense the board is increasingly vigilant on cyber security risks as CyberAgent's business continues to expand. Our discussions now include employee development programmes. The company has taken innovative steps in employee development, to encourage an open culture and foster loyalty. The attraction and retention of employees has been a growing issue in Japan, notably in sectors such as the IT industry, so continued engagement with the company will be important.

Governance

We met with **Suzuki Motors** after the company announced there had been improper vehicle testing, following an issue earlier in 2018 relating to data on emissions. Issues around the testing process were caused by a combination of: 1) lack of proper governance system over vehicle testing; 2) weak compliance mind-set (corporate culture); and 3) lack of internal communication. With regard to corporate culture in particular, this may be a deep-rooted issue given nearly half (49.9%) of the inspected vehicles were affected.

We believe the main focus for the company's remediation process should be to ensure consistency of the vehicle testing process and cultivating a stronger compliance awareness within the corporate culture. We will continue to engage on corporate culture reform.

In Japan, board composition has been a recurring governance topic during engagements; as minority shareholders, we expect at least one third external representation on the board and reflect this in our votes. Through our engagement, we understand the improper testing issues are being taken seriously by the top management at Suzuki, involving changes in the testing process and the replacement of relevant personnel. We nonetheless voted against the re-election of Osamu Suzuki, the founder and chairman of Suzuki Motor, and Toshiro Suzuki, the current president, due to the latest controversies and the lack of a sufficient external presence on the board, even though more external directors on the board of itself may not have prevented the issues which have arisen. We believe the company is well positioned to deliver structural growth through its business in India. Nonetheless, we feel a board of directors with a higher percentage of outsiders (currently just 25%) and greater diversity in terms of gender and nationality will make for a stronger board at Suzuki as its faces future challenges.

Voting

In addition to engaging in meaningful interaction with investee companies through dedicated meetings, we vote in a prudent and diligent manner, and in the financial interests of our clients. A summary of key voting statistics and activity undertaken in respect of stocks in the Company's portfolio for the 12 months to 30th September 2019 is detailed below. On behalf of the Company, JPMorgan voted at all the 59 annual general meetings and two extraordinary meetings of investee companies held during the fiscal year.

Apart from poison pills, the highest percentage of votes against management were in relation to dividend proposals and director and statutory auditor elections (primarily due to independence concerns). One of the key governance topics in engagements have been discussions on more efficient use of the balance sheet and the company's policy on shareholder returns. In that context, we have noted changes in the shareholder return practices at Nintendo, a company with which we have engaged for many years. Nintendo has now established a policy on profit distribution, returning to shareholders whichever is the higher of one third of operating income or a 50% pay-out ratio; this past year, it also conducted a share buyback, bringing the total shareholder return to 65%. However, not all companies articulate their policy on returns to shareholders. The shareholder returns (dividend and share buybacks) could be improved in our view in many cases, thus, the high percentage of votes cast against the income allocation proposals of investee companies. The dialogue with Nintendo was one which continued over several years, and we hope and expect our continuing engagements on shareholder return policies with investee companies against which we voted this year also translates into positive action by company management. There has been a noticeable and welcome shift in the stance of Japanese corporates away from poison pills over the past several years. As a result of engagement with institutional investors, who oppose this concept, a growing number of companies have elected to remove the inbuilt impediments to hostile takeovers, rather than to seek to extend such plans. As a result, there was only one portfolio company, Tomy Co., Ltd. where such a proposal was part of the annual general meeting agenda this year.

JPMorgan Japanese Investment Trust plc: Voting at shareholder meetings held during October 2018 to end September 2019

	For	Against	Abstain	Against/ Abstain Total	Total Items	% Against
Election of Directors	371	82	0	82	453	18.1%
Election of Statutory Auditors	46	7	0	7	53	13.2%
Director Remuneration[1]	29	3	0	3	32	9.4%
Income Allocation	21	22	0	22	43	51.2%
Poison pill	0	1	0	1	1	100.0%
Capital issues[2]	12	0	0	0	12	0.0%
Amendment to articles of association	13	1	0	1	14	7.1%
TOTAL	**492**	**116**	**0**	**116**	**608**	

Source: JPMorgan Asset Management (Japan) Ltd.

[1] Amendment of remuneration, stock options, performance based pay schemes, Director' bonuses, etc.
[2] Share buybacks, reduction in reserves, third party allocation, reduction in capital, reverse stock split, issuance of class shares etc.

The Carbon Scorecard

The portfolio companies have low carbon emissions which is unsurprising, given our emphasis on newer industries. While the carbon footprint is an important starting point to understand the portfolio's exposure to climate risks, we always review this in combination with the strategic initiatives undertaken by the individual companies to manage any negative environmental impact. We strive to identify companies which are better positioned to manage the investment risks and opportunities associated with climate change through our engagements.

Table below contains the numbers as at 30th September 2019:

	Carbon Emissions tons CO2e / $M invested	**Carbon Intensity** tons CO2e / $M sales	**Weighted Average Carbon Intensity** tons CO2e / $M sales
Portfolio	**10.0**	**28.6**	**32.6**
Coverage by Portfolio Weight*	95.1%	95.1%	97.8%
Index	**235.0**	**192.7**	**103.7**
Coverage by Portfolio Weight*	96.3%	96.3%	97.0%

Source: MSCI ESG Carbon Footprint Calculator.
*Coverage may vary by metric because the metrics are calculated using different underlying factors.

JPMorgan Asset Management
(Japan) Limited

13th December 2019

TEN LARGEST INVESTMENTS

AS AT 30TH SEPTEMBER

Company	Sub-Sector	2019 Valuation £'000	2019 %[1]	2018 Valuation £'000	2018 %[1]
Keyence	Electric Appliances	50,320	5.4	51,238	5.2
Shiseido	Chemicals	45,903	5.0	43,454	4.5
M3	Services	44,769	4.8	40,021	4.1
Kao	Chemicals	42,931	4.7	30,661	3.1
Recruit	Services	41,597	4.5	50,745	5.2
Tokio Marine	Insurance	39,335	4.3	34,540	3.5
Fast Retailing[2]	Retail Trade	38,588	4.2	–	–
Hikari Tsushin	Information & Communication	35,867	3.9	30,994	3.2
MonotaRO	Retail Trade	27,205	2.9	27,757	2.8
SoftBank[3]	Information & Communication	26,244	2.8	24,614	2.5
Cyber Agent	Services	–	–	34,241	3.5
Daikin Industries	Machinery	–	–	25,928	2.7
Total		**392,759**	**42.5**	**369,579**	**37.8**

[1] Based on the total portfolio investments of £923.8m (2018: £976.7m).
[2] Not held in the Portfolio as at 30th September 2018.
[3] Not included in the ten largest investments at 30th September 2018.

SECTOR ANALYSIS

	30th September 2019 Portfolio %[1]	30th September 2019 Benchmark %	30th September 2018 Portfolio %[1]	30th September 2018 Benchmark %
Processing	65.3	51.6	68.3	50.3
Consumer	13.9	15.2	9.7	14.8
Basic	12.8	10.2	12.4	11.2
Financial	8.0	10.1	9.6	11.3
Utilities	–	7.5	–	7.3
Assets	–	5.4	–	5.1
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on the total portfolio investments of £923.8m (2018: £976.7m).

LIST OF INVESTMENTS BY SECTOR

Company	Valuation £'000
PROCESSING	
Services	
M3	44,769
Recruit	41,597
Oriental Land	20,953
Nihon M&A Center	19,258
Infomart	17,227
CyberAgent	16,398
Relo	11,807
Riso Kyoiku	6,634
Bengo4.com	6,231
Welbe	5,061
Grace Technology	4,964
Japan Elevator Service	4,044
	198,943
Information & Communication	
Hikari Tsushin	35,867
SoftBank	26,244
Square Enix	22,045
Obic	20,529
GMO Payment Gateway	19,945
Mercari	12,465
Digital Garage	10,518
Otsuka	8,560
Raksul	7,463
Zenrin	6,345
Nexon	6,219
Sansan	6,095
UUUM	4,321
TeamSpirit	4,137
Istyle	2,825
Uzabase	2,607
Money Forward	2,480
	198,665

Company	Valuation £'000
PROCESSING - CONT	
Electric Appliances	
Keyence	50,320
Nidec	16,817
Lasertec	9,782
Sysmex	7,579
	84,498
Machinery	
Miura	17,389
Daikin Industries	16,307
SMC	10,226
Makita	5,817
	49,739
Other Products	
Nintendo	22,070
Pigeon	8,908
Asics	4,748
Tomy	4,041
	39,767
Precision Instruments	
Asahi Intecc	10,619
Nakanishi	4,788
	15,407
Transportation Equipment	
Suzuki Motor	11,587
	11,587
Wholesale Trade	
MISUMI	4,262
	4,262
TOTAL PROCESSING	**602,868**

Company	Valuation £'000
CONSUMER	
Retail Trade	
Fast Retailing	38,588
MonotaRO	27,205
Pan Pacific International	24,850
ZOZO	14,698
Cosmos Pharmaceutical	4,662
	110,003
Pharmaceutical	
PeptiDream	11,902
Tsumura	6,754
	18,656
TOTAL CONSUMER	**128,659**
BASIC	
Chemicals	
Shiseido	45,903
Kao	42,931
Shin-Etsu Chemical	19,289
Milbon	7,231
Nifco	3,249
TOTAL BASIC	**118,603**
FINANCIAL	
Insurance	
Tokio Marine	39,335
	39,335
Other Financing Business	
Japan Exchange	16,075
Aruhi	3,960
	20,035
Securities & Commodity Futures	
SBI	14,318
	14,318
TOTAL FINANCIAL	**73,688**
TOTAL INVESTMENTS	**923,818**

The portfolio comprises entirely of equity investments.

TEN YEAR ABSOLUTE PERFORMANCE

FIGURES HAVE BEEN REBASED TO 100 AT 30TH SEPTEMBER 2009

[1] Source: Morningstar.

[2] Source: Morningstar/J.P.Morgan, using net asset value with debt at fair value.

[3] Source: Morningstar. The Company's benchmark is the Tokyo Stock Exchange First Section Index (TOPIX) expressed in sterling terms.

TEN YEAR PERFORMANCE RELATIVE TO BENCHMARK

FIGURES HAVE BEEN REBASED TO 100 AT 30TH SEPTEMBER 2009

[1] Source: Morningstar.

[2] Source: Morningstar/J.P.Morgan, using net asset value with debt at fair value.

[3] Source: Morningstar. The Company's benchmark is the Tokyo Stock Exchange First Section Index (TOPIX) expressed in sterling terms.

TEN YEAR FINANCIAL RECORD

At 30th September	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total assets less current liabilities (£'m)	315.7	306.1	326.6	302.1	494.8	408.4	513.2	693.2	778.2	986.1	913.7
Net asset value per share with debt at fair value (p)[A]	185.9	189.6	194.7	187.3	267.8	253.3	287.5	387.5	421.0	523.6	498.0
Share price (p)	157.0	160.0	166.8	154.5	238.3	218.0	257.3	335.0	372.0	458.0	441.0
Share price discount to net asset value per share with debt at fair value (%)	15.5	15.6	14.3	17.5	11.0	13.9	10.5	13.5	11.6	12.5	11.4
12 month average share price discount to net asset value per share with debt at fair value (%)[1]	18.3	16.8	13.9	14.0	11.8	9.6	10.7	12.4	12.0	9.2	9.0
Gearing/(net cash) (%)[A]	7.6	(1.8)	(0.6)	9.0	13.7	12.7	6.4	9.5	13.6	14.7	13.1
Yen exchange rate (=£1)	143.2	131.6	120.1	125.6	158.9	177.8	181.4	131.5	151.0	148.1	133.2

Year ended 30th September	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gross revenue attributable to shareholders (£'000)	7,596	6,138	7,323	8,121	6,041	5,715	6,970	8,725	11,640	11,958	11,813
Revenue return per share (p)	2.96	2.91	3.49	4.10	2.78	2.46	3.06	3.97	5.52	5.53	5.52
Dividend per share (p)	2.80	2.80	3.30	3.65	2.80	2.80	2.80	3.65	5.00	5.00	5.00
Ongoing charges (%)[A]	0.77	0.81	0.86	0.77	0.78	0.78	0.77	0.74	0.69	0.67	0.68

Rebased to 100 at 30th September 2009	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Share price total return[1,A]	100.0	103.9	110.0	104.1	164.3	152.1	181.6	238.9	268.2	334.1	325.7
Net asset value total return[2,A]	100.0	103.0	107.3	105.1	153.3	146.6	168.1	228.6	250.8	315.1	303.2
Benchmark total return[3]	100.0	100.8	103.7	98.2	127.9	129.2	136.9	180.3	202.4	228.0	226.4

[1] Source: Morningstar/J.P. Morgan.

[2] Source: Morningstar/J.P. Morgan, using net asset value with debt at fair value.

[3] Source: Morningstar. The Company's benchmark is the Tokyo Stock Exchange 1st Section Index (TOPIX) expressed in sterling terms.

[A] Alternative performance measure ('APM').

A glossary of terms and APMs is provided on pages 87 and 88.

The aim of this Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report sets out the investment objective of the Company, its investment policies and risk management, investment restrictions and guidelines, performance, total return, revenue and dividends, key performance indicators, principal risks and how the Company seeks to manage those risks and its long term viability. The Directors' Report on pages 34 to 43 includes information on Board Diversity, Employees, Social, Environmental, Community and Human Rights Issues, and Greenhouse Gas Emissions and forms part of this Strategic Report.

Investment Objective

JPMorgan Japanese Investment Trust plc is an investment trust company that has a premium listing on the London Stock Exchange and is currently a constituent of the FTSE 250 Index. The Company's objective is to achieve capital growth from investments in Japanese companies by long term outperformance of the Company's benchmark index, the Tokyo Stock Exchange First Section Index ('TOPIX') expressed in sterling terms.

Investment Policies and Risk Management

In order to achieve its stated investment policy and to seek to manage investment risks, the Company invests in a diversified portfolio of quoted Japanese companies. The number of investments in the portfolio will normally range between 50 and 100. The average number of holdings in the portfolio has reduced in recent years as the Investment Managers have focused on those companies that have strong balance sheets, using first hand company research and analysis. The Company makes use of both long and short term borrowings to increase returns.

Investment Restrictions and Guidelines

The Board seeks to manage the Company's risk by imposing various investment limits and restrictions:

- The Company must maintain 97.5% of investments in Japanese securities or securities providing an indirect investment in Japan. (30th September 2019: 100%).
- No investment to be more than 5.0% in excess of benchmark weighting at time of purchase and 7.5% at any time. (30th September 2019: 5%).
- The Company does not normally invest in unquoted investments and to do so requires prior Board approval. (30th September 2019: Nil).
- The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions. (30th September 2019: 13.1%).
- The Company does not normally enter into derivative transactions and to do so requires prior Board approval. (30th September 2019: nil).
- The Company will not invest more than 15% of its gross assets in other UK listed investment companies and will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies. (30th September 2019: none).
- The Investment Managers do not hedge the portfolio against foreign currency risk.

These limits and restrictions may be varied by the Board at any time at its discretion.

Compliance with the Board's investment restrictions and guidelines is monitored continuously by the Manager and is reported to the Board on a monthly basis.

The Manager also has internal guidelines in relation to investment concentration.

Performance

In the year ended 30th September 2019, the Company produced a total return to shareholders of -2.5% and a total return on net assets of -3.0%. This compares with the total return on the Company's benchmark of -0.7%. As at 30th September 2019, the value of the Company's investment portfolio was £923.8 million. The Investment Managers' Report on pages 9 to 19 includes a review of developments during the year as well as information on investment activity within the Company's portfolio and the factors likely to affect the future performance of the Company.

Total Return, Revenue and Dividends

Gross total loss for the year amounted to £19.2 million (2018: £188.6 million return) and the net total loss after deducting the management fee, other administrative expenses, finance costs and taxation, amounted to £26.8 million (2018: £180.8 million return). Distributable income for the year amounted to £8.9 million (2018: £8.9 million).

The Directors have declared a final dividend of 5.0p (2018: 5.0p) per share. This dividend amounts to £8.1 million (2018: £8.1 million) and the revenue reserve after allowing for the dividend will amount to £5.4 million (2018: £4.5 million). The dividend will be subject to shareholder approval at the forthcoming Annual General Meeting.

Key Performance Indicators ('KPIs')

The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark index**
  This is the most important KPI by which performance is judged. Information on the Company's performance is given in the Chairman's Statement and the Investment Managers' Report on pages 6 to 8 and 9 to 19 respectively, and the Ten Year Financial Record on page 29.

- **Performance against the Company's peers**
  Whilst the principal objective is to achieve capital growth relative to the benchmark, the Board also monitors the performance relative to a broad range of competitor funds.
- **Performance attribution**
  The purpose of performance attribution analysis is to illustrate how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as sector allocation, stock selection and gearing. Details of the attribution analysis for the year ended 30th September 2019 are given in the Investment Managers' Report on page 17.
- **Share price discount to cum income net asset values ('NAV') per share with debt at fair value**
  The Board recognises that the possibility of a widening discount can be a key disadvantage of investment trusts and can discourage investors. The Board is focused on the discount on an ongoing basis and works closely with the Manager to seek to reduce the volatility and absolute level of the discount. In the year to 30th September 2019, the shares traded between a discount of 12.8% and 4.4% at an average of 9.0%. There have been no share repurchases during the year.
- **Ongoing charges**
  The ongoing charges represent the Company's management fee and all other operating expenses excluding any finance costs, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ended 30th September 2019 were 0.68% (2018: 0.67%). Each year the Board reviews an analysis which shows a comparison of the Company's ongoing charges and its main expenses against those of its peers.

Principal Risks

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The risks identified have changed over the year under review, and the ways in which they are managed or mitigated are summarised as follows.

With the assistance of the Manager, the Board has drawn up a risk matrix, which identifies the key risks to the Company. These key risks fall broadly under the following categories:

- **Investment Underperformance and Strategy**
  An inappropriate investment strategy, for example as to thematic exposure, sector allocation, undue concentration of holdings, factor risk exposure or the degree of total portfolio risk, may lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount.

  The Board manages these risks by diversification of investments and through its investment restrictions and guidelines, which are monitored and reported on by the Manager. The Manager provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, at least one of whom usually attends all Board meetings, and reviews data which show measures of the Company's risk profile. The Investment Managers employ the Company's gearing tactically, within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.
- **Market and Currency**
  Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments in the face of negative market movements. The Board considers thematic and factor risks, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Manager.

  The Board monitors the implementation and results of the investment process with the Manager. The majority of the Company's assets, liabilities and income are denominated in yen rather than in the Company's functional currency of sterling (in which it reports). As a result, movements in the yen:sterling exchange rate may affect the sterling value of those items and therefore impact on reported results and/or financial position. Therefore, there is an inherent risk from these exchange rate movements. It is the Company's policy not to undertake foreign currency hedging. Further details about the foreign currency risk may be found in note 22 on pages 70 and 76.
- **Loss of Investment Team or Portfolio Manager**
  A sudden departure of a Portfolio Manager or several members of the investment management team could result in a short term deterioration in investment performance.

  The Board seeks assurance that the Manager takes steps to reduce the risk arising from such an event by ensuring appropriate succession planning and the adoption of a team based approach, as well as special efforts to retain key personnel. The Board engages with the senior management of the Manager in order to mitigate this risk.
- **Discount**
  A disproportionate widening of the discount relative to the Company's peers could result in loss of value for shareholders.

  The Board regularly discusses discount policy.
- **Change of Corporate Control of the Manager**
  The Board holds regular meetings with senior representatives of the Manager in order to obtain assurance that the Manager

continues to demonstrate a high degree of commitment to its asset management and investment trust business.

- **Accounting, Legal and Regulatory**

  In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given under Management of the Company on page 35. Were the Company to breach Section 1158, it may lose investment trust status and, as a consequence, gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by the Manager and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules, Market Abuse Regulation ('MAR'), Disclosure Guidance and Transparency Rules ('DTRs') and, as an investment trust, the Alternative Investment Fund Managers Directive ('AIFMD'). A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs could result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, the Manager and its professional advisers to ensure compliance with the Companies Act 2006, the UKLA Listing Rules, DTRs, MAR and AIFMD.

- **Corporate Governance and Shareholder Relations**

  Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement on pages 39 to 42.

- **Operational**

  Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the Depositary or Custodian's records may prevent accurate reporting and monitoring of the Company's financial position.

  Details of how the Board monitors the services provided by JPMF and its associates and the key elements designed to provide effective risk management and internal control are included within the Risk Management and Internal Controls section of the Corporate Governance Statement on pages 39 and 42.

- **Cyber Crime**

  The threat of cyber attack, in all guises, is regarded as at least as important as more traditional physical threats to business continuity and security. The Company benefits directly and/or indirectly from all elements of JPMorgan's Cyber Security programme. The information technology controls around physical security of JPMorgan's data centres, security of its networks and security of its trading applications, are tested by independent auditors and reported every six months against the AAF Standard.

- **Financial**

  The financial risks faced by the Company include market price risk, liquidity risk and credit risk. Further details are disclosed in note 22 on pages 70 to 76.

Long Term Viability

The Company is an investment trust with an objective of achieving long term capital growth. Taking account of the Company's current position, the principal risks that it faces and their potential impact on its future development and prospects, the Directors have assessed the prospects of the Company, to the extent that they are able to do so, over the next five years. They have made that assessment by considering those principal risks, the Company's investment objective and strategy, the investment capabilities of the Manager and the current outlook for the Japanese economy and equity market.

In determining the appropriate period of assessment the Directors had regard to their view that, given the Company's objective of achieving capital growth, shareholders should consider the Company as a long term investment proposition. This is consistent with advice provided by independent financial advisers and wealth managers, that investors should consider investing in equities for a minimum of five years. Accordingly, the Directors consider five years to be an appropriate time horizon to assess the Company's viability.

The Directors confirm that they have a reasonable expectation, on the assumption that the principal risks identified above, including Investment Underperformance, are managed or mitigated effectively, that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of assessment.

Faith Pengelly

By order of the Board
Faith Pengelly,
for and on behalf of
JPMorgan Funds Limited,
Secretary

13th December 2019

Directors' Review

Christopher Samuel
(Chairman, Chairman of the Nomination and Remuneration Committee and the Management Engagement Committee)
Director since 2014.
Last reappointed to the Board: 2018.
Currently Chairman of BlackRock Throgmorton Trust plc and a non-executive Director of Alliance Trust plc, Sarasin & Partners and UIL. Mr Samuel was previously Chief Executive Officer of Ignis Asset Management. He has considerable experience of financial services including the investment management industry over nearly 35 years and was based in Japan earlier in his career. He is a Chartered Accountant.
Connections with Manager: None.
Shared directorships with other Directors: None.

Sir Stephen Gomersall, KCMG
Director since 2013.
Last reappointed to the Board: 2018.
Deputy Chairman of Hitachi Europe and a director of a number of Hitachi Group companies in the UK. Sir Stephen entered the Foreign & Commonwealth Office in 1970 and held a number of appointments overseas including being Ambassador to Japan from 1999 to 2004. He has spent more than fourteen years living and working in Japan.
Connections with Manager: None.
Shared directorships with other Directors: None.

Stephen Cohen
(Chairman of the Audit Committee)
Director since 2016.
Last appointed to the Board: 2018.
Over 34 years in executive roles in asset management, including setting up two businesses in Japan and living there for seven years. He managed Japanese equity portfolios for ten years. He also latterly ran a Japanese equity activist business. Currently, he is a non-executive Director of Schroder UK Public Private Trust plc, a Commissioner at the Gambling Commission and a Council member at the Health and Care Professions Council.
Connections with Manager: None.
Shared directorships with other Directors: None.

Sally Macdonald
Director since 2018.
Last reappointed to the Board: 2018.
Over 34 years in asset management, of which seven were in UK markets and 27 covered Asian markets, at houses including Sanwa International, Lazard Brothers Asset Management, Canada Life, Morley Fund Managers, Dalton Strategic Partnership and City of London Investment Management. Mrs Macdonald is currently Head of Asian Equities at Marlborough Fund Managers and a Trustee of Helping the Burmese Delta. Previous board experience includes the Royal College of Nursing Foundation.
Connections with Manager: None.
Shared directorships with other Directors: None.

All Directors are members of the Audit Committee, the Nomination and Remuneration Committee, and the Management Engagement Committee. All Directors are considered independent of the Manager.

George Olcott
Director since 2016.
Last appointed to the Board: 2018.
15 years of investment banking and asset management business experience in Japan and Asia with SG Warburg/UBS. Has served on the boards of five listed Japanese corporations as an independent director (currently for Denso Corporation, Dai-ichi Life Holdings and Hitachi Chemical). Dr Olcott is Guest Professor at Keio University in Tokyo teaching international management and organisational behaviour.
Connections with Manager: None.
Shared directorships with other Directors: None.

The Directors present their annual report and the financial statements for the year ended 30th September 2019.

Management of the Company

The Manager and Company Secretary to the Company is JPMorgan Funds Limited ('JPMF'), a company authorised and regulated by the FCA. The Manager is a wholly-owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides marketing, banking, dealing and custodian services to the Company.

In seeking to achieve its objectives, the Company employs JPMF which delegates portfolio management to JPMorgan Asset Management (UK) Limited ('JPMAM'), a firm regulated by the FCA, with the day to day investment management activity conducted in Tokyo by JPMorgan Asset Management (Japan) Limited, a fellow investment management subsidiary and an affiliate of JPMorgan Chase Bank. JPMF is employed under a contract which can be terminated on six months' notice without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

The current Management Agreement was entered into with effect from 1st July 2014 following the implementation of a number of changes required by the Alternative Investment Fund Managers Directive.

The Board has appointed a Management Engagement Committee which conducts a formal evaluation of the performance of, and contractual relationship with, the Manager on an annual basis. Part of this evaluation includes a consideration of the management fees and whether the service received is value for money for shareholders.

The Management Engagement Committee has thoroughly reviewed the performance of the Manager in the course of the year. The review covered the performance of the Manager, its management processes, investment style, resources and risk controls and the quality of support that the Company receives from the Manager including the marketing support provided. As part of this process, the Board visits Japan each year. The Board is of the opinion that the continuing appointment of the Manager is in the best interests of shareholders as a whole. Such a review is carried out on an annual basis.

The Company is subject to UK and European legislation and regulations including UK company law, UK Financial Reporting Standards, the UK Listing, Prospectus, Disclosure Guidance and Transparency Rules, Market Abuse Regulation, taxation law and the Company's own Articles of Association.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006 and has been approved by HM Revenue & Customs as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010). As a result the Company is not liable for taxation on capital gains. The Directors have no reason to believe that approval will not continue to be retained. The Company is not a close company for taxation purposes.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF is the Company's alternative investment fund manager ('AIFM'). It is approved as an AIFM by the FCA. For the purposes of the AIFMD the Company is an alternative investment fund ('AIF'). JPMF has delegated certain responsibilities as set out under 'Management of the Company' above.

The Company has appointed Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A., as the Company's custodian, BNY is responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows. With effect from 1st June 2018 the legal equity of the depositary changed to Bank of New York Mellon (International) Limited, by a deed of novation.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information are available on the Company's website at www.jpmjapanese.co.uk

There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

As an authorised AIFM, JPMF will make the requisite disclosures on remuneration levels and policies to the FCA at the appropriate time.

Management Fee

The fixed basic annual management fee is a sliding scale based on the Company's net assets. The management fee is charged monthly in arrears.

Net assets	Fee level
First £465 million under management	0.65%
£465 million to £930 million under management	0.485%
Over £930 million under management	0.40%

The management fee includes a contribution towards the Manager's general marketing and client administration costs.

If the Company invests in funds managed or advised by the Manager, or any of its associated companies, those investments are excluded from the calculation of the fixed basic annual management fee.

Directors

The Directors of the Company who held office at the end of the year are detailed on page 34. Details of their beneficial shareholdings may be found in the Directors' Remuneration Report on page 46. Mr Andrew Fleming retired as a Director at the Annual General Meeting on 13th December 2018 and Mrs Sally Macdonald joined on the same day.

All continuing Directors will retire at the Company's forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment by shareholders.

The Nomination and Remuneration Committee, having considered the Directors' qualifications, performance and contribution to the Board and its Committees, confirms that each Director continues to be effective and demonstrates commitment to the role and the Board recommends to shareholders that those standing for reappointment be reappointed.

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, each Director has the benefit of an indemnity which is a qualifying third party indemnity, as defined by Section 234 of the Companies Act 2006. The indemnities were in place during the year and as at the date of this report.

An insurance policy is maintained by the Company which indemnifies the Directors of the Company against certain liabilities arising in the conduct of their duties. There is no cover against fraudulent or dishonest actions.

Disclosure of information to the Auditors

In the case of each of the persons who are Directors of the Company at the time when this report was approved:

(a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's Auditors are unaware, and

(b) each of the Directors has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information (as defined) and to establish that the Company's Auditors are aware of that information.

The above confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Independent Auditors

Further to a review of audit services in 2013, PricewaterhouseCoopers LLP were appointed Auditors of the Company with effect from the 2013 Annual General Meeting. PricewaterhouseCoopers LLP have expressed their willingness to continue in office as the Auditors and a resolution to reappoint PricewaterhouseCoopers LLP and authorise the Directors to determine their remuneration for the ensuing year will be proposed at the Annual General Meeting.

Share Capital Structure and Voting Rights

As at 30th September 2019, the Company's issued share capital comprised 161,248,078 (2018: 161,248,078) ordinary shares of 25p each. There were no shares held in Treasury.

The Company has the authority to repurchase shares in the market for cancellation (or to be held in Treasury) and to issue new shares for cash on behalf of the Company. During the year the Company did not repurchase any ordinary shares (2018: nil). No shares have been repurchased for cancellation or into Treasury since the year end. The Company did not issue any new shares during the year.

Resolutions to renew the authorities to issue new shares or reissue shares from Treasury, and to repurchase shares for cancellation or to be held in Treasury will be put to shareholders at the forthcoming Annual General Meeting. It should be noted that the Board would only reissue shares from Treasury at a premium to NAV. The full text of these resolutions is set out in the Notice of Meeting on pages 84 to 85.

Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of Annual General Meeting on page 86.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; no agreements to which the Company is party that affect its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office.

Notifiable Interests in the Company's Voting Rights

At the year end, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	%
Lazard Asset Management[1]	23,390,200	14.51
Wells Capital Management	20,871,305	10.98
Rathbones	13,531,610	8.90
1607 Capital Partners	11,130,527	6.97

[1] Indirect holding.

As at 14th November 2019 Wells Capital Management had a notifiable interest in 12.94% of the voting rights of the Company. No further changes have been notified since the year end to the date of this report.

The rules concerning the appointment, reappointment and replacement of Directors, amendment of the Company's Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006.

Listing Rule 9.8.4R

Listing Rule 9.8.4R requires the Company to include certain information in a single identifiable section of the Annual Report or cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this report in respect of Listing Rule 9.8.4R.

Board Diversity

The Board's policy on diversity, including gender, is to take account of the benefits of these during the appointment process. However, the Board remains committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity, whilst noting the regulatory guidance on gender.

At 30th September 2019, there were four male Directors and one female Director on the Board. Sally Macdonald was appointed as a Director with effect from the AGM on 13th December 2018.

The Board attaches importance to the principle of diversity as set out in the Hampton-Alexander Review and is very well advanced in its plans to being in full compliance with its recommendation by the end of 2020.

Employees, Social, Environmental, Community and Human Rights

The Company has no employees and all of its Directors are non-executive. The day-to-day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees.The Company has a management contract with JPMF. JPMF delegates management of the portfolio to JPMorgan Asset Management (UK) Limited, which in turn delegates day to day management activity to JPMorgan Asset Management (Japan) Limited. The Board notes JPMorgan Asset Management's ('JPMAM') global policy statements in respect of Social, Community and Environmental and Human Rights issues, as highlighted in italics:

'JPMAM believes that companies should act in a socially responsible manner. We believe Environmental, Social and Governance ('ESG') considerations, particularly those related to governance, can play a critical role in long-term investment strategy. As an active investment manager, engagement is an important and ongoing component of our investment process, and we view frequent and direct contact with company management as critically important. When considering investment options, we supplement our proprietary thinking with research from a variety of third-party specialist providers and engage directly with companies on a wide array of ESG issues. Our governance specialists regularly attend scheduled one-on-one company meetings alongside investment analysts to help identify and discuss relevant issues. Although our priority at all times is the best economic interests of our clients, we recognise that ESG issues have the potential to impact the share price, as well as the reputation of companies

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure.'

The Manager has implemented a policy which seeks to restrict investments in securities issued by companies that have been identified by an independent third party provider as being involved in the manufacture, production or supply of cluster munitions, depleted uranium ammunition and armour and/or anti-personnel mines. Shareholders can obtain further details on the policy by contacting the Manager.

Further details of JPMorgan Asset Management (Japan) Limited's approach to ESG is set out on pages 20 to 25 as part of the ESG reporting.

Greenhouse Gas Emissions

The Company is managed by JPMF with portfolio management delegated to JPMAM. It has no employees and all of its Directors are non-executive, the day to day activities being carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Company itself has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. JPMAM is a signatory to the Carbon Disclosure Project and JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

The Modern Slavery Act 2015 (the 'MSA')

The MSA requires companies to prepare a slavery and human trafficking statement for each financial year of the organisation. As the Company has no employees and does not supply goods and services, the MSA does not apply directly to it. The MSA requirements more appropriately relate to JPMF and JPMAM. JPMorgan's statement on Human Rights can be found on the following website: www.jpmorganchase.com/corporate/Corporate-Responsibility/document/modern-slavery-act.pdf

Corporate Criminal Offence

The Company maintains zero tolerance towards tax evasion. Shares in the Company are purchased through intermediaries or brokers, therefore no funds flow directly into the Company.

Annual General Meeting

NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting. The full text of the resolutions is set out in the Notice of Annual General Meeting on pages 84 to 85.

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 12 and 13)

The Directors will seek renewal of the authority at the Annual General Meeting to issue new ordinary shares for cash up to an aggregate nominal amount of £4,031,200 such amount being equivalent to 10% of the present issued share capital (excluding Treasury shares) as at the last practicable date before the publication of this document or, if different, the number of ordinary shares which is equal to approximately 10% of the Company's issued share capital (excluding Treasury shares) as at the date of the passing of the resolution.

This authority will expire at the conclusion of the Annual General Meeting to be held in 2021 unless renewed at a prior general meeting.

Resolution 13 will enable the allotment of shares otherwise than by way of a pro rata issue to existing shareholders. It is advantageous for the Company to be able to issue new shares (or to sell Treasury shares) to investors when the Directors consider that it is in the best interests of shareholders to do so. Any such issues would only be made at prices greater than the net asset value ('NAV'), thereby increasing the NAV per share and spreading the Company's administrative expenses, other than the management fee which is charged on the value of the Company's net assets, over a greater number of shares. The issue proceeds would be available for investment in line with the Company's investment policies. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

The Company currently does not hold any shares in the capital of the Company in Treasury.

(ii) Authority to repurchase the Company's shares (resolution 14)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2018 Annual General Meeting, will expire on 16th July 2021, unless renewed prior to that time. The Directors consider that the renewal of the authority at the forthcoming Annual General Meeting is in the interests of shareholders as a whole, as the repurchase of shares at a discount to their underlying NAV enhances the NAV of the remaining shares.

Resolution 14 gives the Company authority to repurchase its own issued shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to a maximum of 24,171,085 shares, representing approximately 14.99% of the Company's issued shares (being the latest practicable date prior to the publication of this document) or, if different, the number of ordinary shares which is equal to 14.99% of the Company's issued share capital (excluding Treasury shares) as at the date of the passing of the resolution. The authority also sets minimum and maximum prices.

If resolution 14 is passed at the Annual General Meeting, the Board may repurchase the shares for cancellation or hold them in Treasury pursuant to the authority granted to it for possible reissue at a premium to NAV.

Any repurchase will be at the discretion of the Board and will be made in the market only at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares, as and when market conditions are appropriate.

Recommendation

The Board considers that resolutions 12 to 14 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do, where voting rights are exercisable, in respect of their own beneficial holdings which amount in aggregate to 43,809 shares representing approximately 0.01% of the voting rights of the Company.

Corporate Governance Statement

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 48, indicates how the Company has applied the principles of good governance of the Financial Reporting Council's UK Corporate Governance Code (the 'UK Corporate Governance Code') and the Association of Investment Companies' Code of Corporate Governance (the 'AIC Code'), which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the best practice provisions of the UK Corporate Governance Code and of the AIC Code, other than in respect of the provision relating to the appointment of a senior independent director, and insofar as they are relevant to the Company's business, throughout the year under review.

The revised UK Corporate Governance Code ('the 2018 Code') was published in July 2018 and the revised AIC Code in February 2019 and applies to companies with accounting periods commencing on or after 1st January 2019. The Board will report on compliance with the 2018 Code and the revised AIC Code in 2020.

Role of the Board

The Management Agreement between the Company and the Manager sets out the matters which have been delegated to the Manager. This includes management of the Company's assets and the provision of accounting, company secretarial, administration, and some marketing services. All other matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objective and policy and its future strategic direction, gearing policy, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

At each Board meeting, Directors' interests are considered. These are reviewed carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved. It was resolved that there were no actual or indirect interests of a Director which conflicted with the interests of the Company, which arose during the year.

Following the introduction of The Bribery Act 2010, the Board has adopted appropriate procedures designed to prevent bribery. It confirms that the procedures have operated effectively during the year under review.

The Board meets at least quarterly during the year and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

There is an agreed procedure for Directors to take independent professional advice, if necessary, and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and for compliance with applicable rules and regulations.

Board Composition

The Board, chaired by Christopher Samuel, consisted of five non-executive Directors during the year ended 30th September 2019, all of whom are regarded by the Board as independent of the Company's Manager. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 34.

On Andrew Fleming's retirement at the AGM on 13th December 2018 Christopher Samuel became Chairman and Stephen Cohen replaced Christopher as Audit Committee Chairman. Mr Samuel stepped down as Chairman of Defaqto during the year. There have been no other changes to the Chairman's other significant commitments during the year under review.

As part of the succession planning process Fletcher Jones was appointed, resulting in a decision to appoint Sally Macdonald as a Director of the Company following the Annual General Meeting on 13th December 2018. Fletcher Jones has no other connection with the Company.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Board has considered whether a senior independent director should be appointed, and has concluded that, due to the Company's nature of business as an investment trust and because the Board is comprised entirely of non-executive Directors, this is unnecessary at present. However, the Chairman of the Audit Committee leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns that cannot be resolved through discussions with the Chairman.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, they are required to be reappointed by shareholders. The Board has adopted corporate governance best practice and all Directors stand for annual reappointment. The Chairman will meet with each Director before the Director is proposed for reappointment, and subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for the Director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the ongoing requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the Annual General Meeting.

Induction and Training

On appointment, the Manager and Company Secretary provide all Directors with induction training. Thereafter, regular briefings are provided on changes in law and regulatory requirements that affect the Company and Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of the Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Details of membership of these Committees are shown with Directors' profiles on page 34.

The table below details the number of formal Board and Committee meetings attended by each Director. During the year under review there were five scheduled Board meetings, in addition to a meeting devoted to strategy, two Audit Committee meetings, one meeting of the Management Engagement Committee, and one meeting of the Nomination and Remuneration Committee. These meetings were supplemented by additional adhoc meetings held to cover procedural matters and formal approvals. In addition there is regular contact between the Directors and the Manager and Company Secretary throughout the year.

Meetings Attended

Director	Board	Audit Committee	Nomination and Remuneration Committee	Management Engagement Committee
Stephen Cohen	5	2	1	1
Andrew Fleming[1]	2	1	0	0
Sir Stephen Gomersall	5	2	1	1
Sally Macdonald[2]	4	1	1	1
George Olcott	5	2	1	1
Christopher Samuel	5	2	1	1

[1] Retired 13th December 2018.
[2] Appointed 13th December 2018.

Board Committees

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, chaired by Christopher Samuel, which consists of the entire Board, meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. The appointment process takes account of the benefits of diversity, including gender. A variety of sources, including the use of independent external recruitment consultants, may be used to ensure that a wide range of candidates is considered.

The Committee conducts an annual performance evaluation of the Board, its Committees and individual Directors to ensure that all Directors have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together.

Questionnaires, drawn up by the Board, with the assistance of the Manager and a firm of independent consultants, are completed by each Director. The responses are then collated and discussed by the Committee. The evaluation of individual Directors is led by the Chairman who also meets with each Director. The Audit Committee Chairman leads the evaluation of the Chairman's performance.

The Committee also reviews Directors' fees and makes recommendations to the Board as and when appropriate in relation to remuneration policy. This review forms only a minimal part of discussions and therefore it is felt to be appropriate for Christopher Samuel to act as Chairman of the Committee.

Management Engagement Committee

The membership of the Management Engagement Committee consists of all the Directors and is chaired by Christopher Samuel.

The Committee meets at least once a year to review the terms of the Management Agreement between the Company and the Manager, to review the performance of the Manager, to review the notice period that the Board has with the Manager and to make recommendations to the Board on the continued appointment of the Manager following these reviews.

Audit Committee

The report of the Audit Committee is set out on page 43.

Terms of Reference

The Nomination and Remuneration Committee, Audit Committee and Management Engagement Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available on the Company's website and for inspection on request at the Company's registered office and at the Company's Annual General Meeting.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders twice a year by way of the annual report and financial statements and the half year report. These are supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders are encouraged to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available to meet shareholders and answer their questions. In addition, a presentation is given by the Investment Managers who reviews the Company's performance.

During the year, the Company's brokers, the Investment Managers and JPMF hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to support these meetings and to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 91. The Chairman can also be contacted via the Company's website by following the 'Ask a Question' link at www.jpmjapanese.co.uk

The Company's annual report and financial statements are published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 91.

Details of the proxy voting position on each resolution will be published on the Company website shortly after the Annual General Meeting.

Risk Management and Internal Control

The UK Corporate Governance Code requires the Directors, at least annually, to review the effectiveness of the Company's system of risk management and internal control and to report to shareholders that they have done so. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

The Directors are responsible for the Company's system of risk management and internal control, which is designed to safeguard the Company's assets, maintain proper accounting records and ensure that financial information used within the business, or published, is reliable. However, such a system can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against fraud, material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided to the Company by the Manager and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal Risks on pages 31 and 32). This process has been in place for the year under review and up to the date of the approval of the annual report and financial statements, and it accords with the Financial Reporting Council's guidance. Given the foregoing, and in common with most investment trust companies, the Company does not have an internal audit function of its own. The Managers internal audit department conducts regular and rigorous reviews of the various functions within its asset management business. Any significant findings that are relevant to the Company and/or the Managers investment risk business are reported to the Board.

The key elements designed to provide effective risk management and internal control are as follows:

- **Financial Reporting**

  Regular and comprehensive review by the Board of key investment and financial data, including management accounts, revenue projections, analysis of transactions and performance comparisons.

- **Management**

  Appointment of a manager, depositary and custodian regulated by the FCA, whose responsibilities are clearly defined in a written agreement.

- **Management Systems**

  The Manager's system of risk management and internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by the Manager's Compliance department which regularly monitors compliance with FCA rules.

- **Investment Strategy**

  Authorisation and monitoring of the Company's investment strategy and exposure limits by the Board.

The Board, either directly or through the Audit Committee or Management Engagement Committee, keeps under review the effectiveness of the Company's system of risk management and internal control by monitoring the operation of the key operating controls of the Manager and its associates as follows:

- reviews the terms of the management agreement and receives regular reports from the Manager's compliance department;
- reviews reports on the risk management and internal control and operations of its Depositary, Bank of New York Mellon (International) Limited, and its custodian, JPMorgan Chase Bank and Equiniti, which are themselves independently reviewed;
- reviews a report at least annually on JPMAM's capital equity strategy liquidity and flows; and
- reviews every six months an independent report on the risk management and internal controls and the operations of the Manager.

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 30th September 2019 and to the date of approval of this annual report and financial statements.

The Board confirms that any failings or weaknesses identified during the course of its review of the systems of risk management and internal control were not significant and did not impact the Company.

Corporate Governance and Voting Policy

The Company has no employees and has a management contract with JPMF. JPMF delegates management of the portfolio to JPMorgan Asset Management (UK) Limited, which in turn delegates day-to-day management activity to JPMorgan Asset Management (Japan) Limited.

Further information outlining JPMorgan Asset Management (Japan) Limited's policies on voting is set out in the ESG report on pages 24 and 25.

The Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website: **https://am.jpmorgan.com/gb/en/asset-management/gim/adv/home**, under corporate governance at the bottom of the page.

Audit Committee Report

I am pleased to present my first formal report to shareholders, as Chairman of the Audit Committee, for the year ended 30th September 2019, after assuming the role from Christopher Samuel.

Composition and Role

Membership of the Committee is set out on page 34, and the Committee meets at least twice each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. The Audit Committee as a whole has competence relevant to the sector.

Financial Statements and Significant Accounting Matters

The Committee reviews the actions and judgements of the Manager in relation to the half year and annual financial statements and the Company's compliance with the UK Corporate Governance Code.

The Audit Committee examines the effectiveness of the Company's internal control systems and receives information from the Manager's Compliance department. The Directors' statement on the Company's system of Risk Management and Internal Control is set out on pages 41 and 42.

During its review of the Company's annual financial statements for the year ended 30th September 2019, the Audit Committee considered the following significant issues, including those communicated by the Auditors during their reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1(b) to the financial statements on page 60. Controls are in place to ensure that valuations are appropriate and existence is verified through Depositary and Custodian reconciliations. The Company has appointed Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Custodian. BNY remains responsible for the oversight of the custody of the Company's assets.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the financial statements on page 60. The Board regularly reviews subjective elements of income such as special dividends and agrees their accounting treatment.
Compliance with Sections 1158 and 1159 Corporation Tax Act 2010	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st October 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.

Going Concern

The Directors believe that, having considered the Company's investment objective (see page 30), risk management policies (see pages 70 to 76), liquidity risk (see note 22(b) on pages 70 to 76, capital management policies and procedures (see note 23 on page 76), the nature of the portfolio and revenue and expenditure projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence. For these reasons, the Directors consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the Company's financial statements. They have not identified any material uncertainties to the Company's ability to continue to do so over a period of at least 12 months from the date of approval of these financial statements.

The Board was made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements.

Auditor Appointment and Tenure

The Committee reviews the scope and results of the external audit, its effectiveness and cost effectiveness, the balance of audit and non-audit services and the independence and objectivity of the external Auditors. In the Directors' opinion the Auditors are independent. The Committee also has primary responsibility for making recommendations to the Board on the reappointment and removal of the external Auditors.

Representatives of the Company's Auditors attend the Audit Committee meeting at which the draft annual report and financial statements are considered and also engage with the Directors as and when required. Having reviewed the performance of the external Auditors, including assessing the quality of work, timing of communications and work with the Manager, the Committee considered it appropriate to recommend the Auditors' reappointment. The Board supported this recommendation and a resolution will be put to shareholders at the forthcoming Annual General Meeting.

As part of its review of the continuing appointment of the Auditors, the Audit Committee considered the length of tenure of the audit firm, its fee, its independence from JPMF and the Investment Managers and any matters raised during the audit. A formal tender exercise was undertaken in 2013, as a result of which PricewaterhouseCoopers LLP was appointed in place of Begbies. This is the Audit Partner's (Alex Bertolotti) first of a five year maximum term. The Board reviews and approves any non-audit services provided by the independent Auditors and assesses the impact of any non-audit work on the ability of the Auditors to remain independent. No such work was undertaken during the year. Details of the fees paid for audit services are included in note 6 on page 63.

Fair, Balanced and Understandable

Having taken all available information into consideration and having discussed the content of the annual report and financial statements with the Alternative Investment Fund Manager, Investment Managers, Company Secretary and other third party service providers, the Audit Committee has concluded that the annual report and financial statements for the year ended 30th September 2019, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 48.

Stephen Cohen
Chairman of the Audit Committee

13th December 2019

Directors’ Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 30th September 2019, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 as amended.

The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Independent Auditors' Report is included in their report on pages 50 to 55.

The Nomination and Remuneration Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate.

Directors' Remuneration Policy

The Directors' Remuneration Policy is subject to a triennial binding vote, however, a decision has been taken to seek approval annually and therefore an ordinary resolution to approve this policy will be put to shareholders at the forthcoming Annual General Meeting. The policy subject to the vote is set out in full below and is currently in force.

The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board and retained. The Chairman of the Board and the Chairman of the Audit Committee are paid higher fees than the other Directors, reflecting the greater time commitment involved in fulfilling those roles. Reviews are based on information provided by the Manager and industry research carried out by third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The involvement of remuneration consultants has not been deemed necessary as part of this review. The Company has no Chief Executive Officer and no employees and therefore no consultation of employees is required and there is no employee comparative data to provide in relation to the setting of the remuneration policy for Directors.

All of the Directors are non-executive. There are no performance-related elements to their fees and the Company does not operate any type of incentive, share scheme, award or pension scheme and therefore no Directors receive bonus payments or pension contributions from the Company or hold options to acquire shares in the Company. Directors are not granted exit payments and are not provided with compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in attending the Company's business.

In the year under review Directors were paid at the following rates: Chairman £40,000; Chairman of the Audit Committee £31,500; and other Directors £27,000. During the year the Board decided to increase the fees paid and with effect from 1st October 2019 Directors fees will be paid at the following rates; Chairman £41,000; Chairman of the Audit Committee £32,500 and other Directors £28,000. The Company's Articles of Association (the 'Articles') provide that any increase in the maximum aggregate annual limit on Directors' fees, currently £200,000, requires both Board and shareholder approval. The Articles further provide that any Director who performs services which go beyond the ordinary duties of a director may be paid such additional remuneration as the directors may determine.

The Company has not sought individual shareholder views on its remuneration policy. The Nomination and Remuneration Committee considers any comments received from shareholders on remuneration policy on an ongoing basis and takes account of those views.

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on page 40.

Directors' Remuneration Policy Implementation

The Directors' Remuneration Report, which includes details of the Directors' remuneration policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy implemented with effect from 1st October 2015 as described above.

At the Annual General Meeting held on 13th December 2018, of votes cast in respect of the Remuneration Policy and Remuneration Report, 99.97% were in favour (or granted discretion to the Chairman who voted in favour) and 0.02% voted against. No abstentions were received. Details of the implementation of the Company's remuneration policy are given above.

Single total figure of remuneration

The single total figure of remuneration for each Director is detailed below together with the prior year comparative.

Single total figure table[1]

	2019			2018		
	Fees	Taxable benefits[2]	Total	Fees	Taxable benefits[2]	Total
Directors' Name	£	£	£	£	£	£
Stephen Cohen[3]	30,620	–	30,620	25,000	–	25,000
Andrew Fleming[4]	8,080	–	8,080	36,000	–	36,000
Sir Stephen Gomersall	27,000	–	27,000	25,000	–	25,000
George Olcott	27,000	–	27,000	25,000	–	25,000
Sally Macdonald[5]	21,629	213	21,842	–	–	–
Christopher Samuel[3]	38,319	574	38,893	29,500	173	29,673
Total	152,648	787	153,435	140,500	173	140,673

[1] Audited information. The other disclosure requirements set out in the reporting regulations are omitted because they are not applicable.

[2] Taxable benefits relate to travel and subsistence costs.

[3] Mr Cohen replaced Mr Samuel as Audit Committee Chairman on 13th December 2018.

[4] Retired on 13th December 2018.

[5] Appointed 13th December 2018.

A table showing the total remuneration for the Chairman over the five years ended 30th September 2019 is below:

Remuneration for the Chairman over the five years ended 30th September 2019

Year ended 30th September	Fees	Performance related benefits received as a percentage of maximum payable[1]
2019	£40,000	n/a
2018	£36,000	n/a
2017	£36,000	n/a
2016	£36,000	n/a
2015	£34,000	n/a

[1] Audited information.

Directors' Shareholdings[1]

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The Directors' shareholdings are detailed below. All shares are held beneficially.

Directors' Name	30th September 2019	1st October 2018 or as at date of retirement
Stephen Cohen	15,000	15,000
Andrew Fleming[2]	5,000	5,000
Sir Stephen Gomersall	3,049	3,049
Sally Macdonald[3]	760	–
George Olcott	5,000	5,000
Christopher Samuel	20,000	10,000
Total	43,809	38,049

[1] Audited information.

[2] Retired 13th December 2018.

[3] Appointed 13th December 2018.

As at the latest practicable date before the publication of this document, there have been no changes to the Directors' shareholdings. The Directors have no other share interests or share options in the Company and no share schemes are available.

In accordance with the Companies Act 2006, a graph showing the Company's share price total return compared with its benchmark, the Tokyo Stock Exchange First Section (TOPIX) Index expressed in sterling terms, over the last ten years is shown below. Because the TOPIX Index is the adopted benchmark for the Company, it is deemed by the Board to be the most representative comparator. Although the Investment Manager does not track the TOPIX Index, the Index is the most representative of the Company's investment remit.

Ten Year Share Price and Benchmark Total Return Performance to 30th September 2019 (rebased)

Source: Morningstar.

A table showing actual expenditure by the Company on remuneration and distributions to shareholders for the year and the prior year is below:

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 30th September 2019	2018
Remuneration paid to all Directors	£153,435	£140,673
Distribution to shareholders by way of:		
– dividend	£8,062,000	£8,062,000
– share repurchases	£nil	£nil
Total distribution to shareholders	£8,062,000	£8,062,000

For and on behalf of the Board
Christopher Samuel
Chairman

13th December 2019

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom generally accepted accounting practice (United Kingdom Accounting Standards) including FRS 102 'The Financial Reporting Standards applicable in the UK and Republic of Ireland' and applicable laws. Under company law the Directors must not approve the financial statements unless they are satisfied that, taken as a whole, the annual report and financial statements are fair, balanced and understandable, provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy and that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period. In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

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

and the Directors confirm that they have done so.

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

The accounts are published on the www.jpmjapanese.co.uk website, which is maintained by the Company's Manager. The maintenance and integrity of the website maintained by the Manager is, so far as it relates to the Company, the responsibility of the Manager. The work carried out by the Auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the Auditors accept no responsibility for any changes that have occurred to the accounts since they were initially presented on the website. The accounts are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

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

Each of the Directors, whose names and functions are listed on page 34, confirms that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, and applicable law), (United Kingdom Generally Accepted Accounting Practice) give a true and fair view of the assets, liabilities, financial position and net return or loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

The Board confirms that it is satisfied that the annual report and financial statements taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy and that they give a true and fair view of the state of affairs of the Company and of the total return or loss of the Company for that period.

For and on behalf of the Board
Christopher Samuel
Chairman

13th December 2019

Independent Auditors' Report

Report on the audit of the financial statements

Opinion

In our opinion, JPMorgan Japanese Investment Trust Plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30th September 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Financial Statements (the 'Annual Report'), which comprise: the Statement of Comprehensive Income; the Statement of Changes in Equity; the Statement of Financial Position as at 30th September 2019; the Statement of Cash Flows; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1st October 2018 to 30th September 2019.

Our audit approach

Context

JPMorgan Japanese Investment Trust Plc is an Investment Trust Company listed on the London Stock Exchange and invests primarily in equities quoted on the Japanese stock markets. The operations of the Company are located in the UK. We focus our audit work primarily on the valuation and existence of investments and income from investments.

Overview

- Overall materiality: £8.2 million (2018: £8.5 million), based on 1% of Net Assets.

- The Company is a standalone Investment Trust Company and engages JPMorgan Funds Limited (the 'Manager') to manage its assets.
- We conducted our audit of the financial statements using information from JP Morgan Chase Bank N.A., (the 'Administrator') to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

- Valuation and existence of investments.

- Income from investments.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010 (see page 32 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the Listing Rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue (investment income and capital gains) or to increase the net asset value. Audit procedures performed by the engagement team included:

- Discussions with the Manager and the Administrator, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of the controls implemented by the Company and the Administrator designed to prevent and detect irregularities;
- Assessment of the Company's compliance with the requirements of s1158 of the Corporation Tax Act 2010, including recalculation of numerical aspects of the eligibility conditions;
- Review of financial statement disclosures to underlying supporting documentation; and
- Identifying and testing manual journal entries posted by the Administrator during the preparation of the financial statements.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments *Refer to page 43 (Audit Committee Report), page 60 (Accounting Policies) and page 66 (Notes to the financial statements).* The investment portfolio at the year-end comprised listed equity investments and fixed interest investments valued at £924m. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the financial statements.	We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources. No misstatements were identified. We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation. No differences were identified.

Key audit matter	How our audit addressed the key audit matter
Accuracy, occurrence and completeness of income from investments *Refer to page 43 (Audit Committee Report), page 60 (Accounting Policies) and page 63 (Notes to the Financial Statements).* We focused on the accuracy, occurrence and completeness of income recognition as incomplete or inaccurate income could have a material impact on the Company's net asset value, as well as, dividend cover. We also focused on the accounting policy for income recognition and its presentation in the Statement of Comprehensive Income as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP') as incorrect application could indicate a misstatement in income recognition.	We tested existence of capital gains by selecting a sample of realised gains/losses recorded to supporting evidence such as bank statements and tested unrealised gains through testing the valuation of 100% of the listed portfolio using independent third-party prices. We assessed the accounting policy for dividend income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. No misstatements were identified. To test for completeness, we tested, for all investment holdings in the portfolio, that all dividends declared in the market by investment holdings had been recorded. We tested occurrence by testing that all dividends recorded in the year had been declared in the market by investment holdings, and we traced a sample of dividends received to bank statements. Our testing did not identify any misstatements. We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. Our procedures did not identify any misstatements.

How we tailored the audit scope

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

The Company's accounting is delegated to the Administrator who maintains the Company's accounting records and who has implemented controls over those accounting records.

We obtained our audit evidence from substantive tests. However, as part of our risk assessment, we understood and assessed the internal controls in place at both the Manager and the Administrator to the extent relevant to our audit. This assessment of the operating and accounting structure in place at both organisations involved obtaining and analysing the relevant control reports issued by the independent service auditor of the Manager and the Administrator in accordance with generally accepted assurance standards for such work. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

Materiality

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

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

Overall materiality	£8.2 million (2018: £8.5 million).
How we determined it	1% of Net Assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe that this provides an appropriate and consistent year-on-year basis for the audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £408,000 (2018: £426,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's business and the wider economy.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30th September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. *(CA06)*

The Directors' assessment of the prospects of the Company and of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 31 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 32 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have *nothing to report* having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Company and statement in relation to the longer-term viability of the Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Company and its environment obtained in the course of the audit. *(Listing Rules)*

Other Code Provisions

We have *nothing to report in respect of our responsibility to report when:*

- The statement given by the Directors, on page 43, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 43 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 43, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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

Other required reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment
Following the recommendation of the Audit Committee, we were appointed by the Directors on 20th December 2013 to audit the financial statements for the year ended 30th September 2014 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 30th September 2014 to 30th September 2019.

Alex Bertolotti (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors,
London

13th December 2019

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH SEPTEMBER 2019

	Notes	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
(Losses)/gains on investments held at fair value through profit or loss	3	–	(19,957)	(19,957)	–	179,515	179,515
Net foreign currency losses[1]		–	(11,073)	(11,073)	–	(2,915)	(2,915)
Income from investments	4	10,673	–	10,673	11,665	–	11,665
Other interest receivable and similar income	4	1,140	–	1,140	293	–	293
Gross return/(loss)		**11,813**	**(31,030)**	**(19,217)**	**11,958**	**176,600**	**188,558**
Management fee	5	(880)	(3,521)	(4,401)	(905)	(3,622)	(4,527)
Other administrative expenses	6	(672)	–	(672)	(690)	–	(690)
Net return/(loss) before finance costs and taxation		**10,261**	**(34,551)**	**(24,290)**	**10,363**	**172,978**	**183,341**
Finance costs	7	(290)	(1,161)	(1,451)	(282)	(1,127)	(1,409)
Net return/(loss) before taxation		**9,971**	**(35,712)**	**(25,741)**	**10,081**	**171,851**	**181,932**
Taxation	8	(1,067)	–	(1,067)	(1,168)	–	(1,168)
Net return/(loss) after taxation		**8,904**	**(35,712)**	**(26,808)**	**8,913**	**171,851**	**180,764**
Return/(loss) per share	9	**5.52p**	**(22.15)p**	**(16.63)p**	**5.53p**	**106.58p**	**112.11p**

[1] Foreign currency losses are due to Yen denominated loan notes and bank loans.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies. Net return/(loss) after taxation represents the profit or loss for the year and also total comprehensive income/(expense).

The notes on page 60 to 76 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH SEPTEMBER 2019

	Called up share capital £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve[1] £'000	Total £'000
At 30th September 2017	**40,312**	**8,650**	**166,791**	**451,356**	**11,729**	**678,838**
Net return	–	–	–	171,851	8,913	180,764
Dividend paid in the year (note 10)	–	–	–	–	(8,062)	(8,062)
At 30th September 2018	**40,312**	**8,650**	**166,791**	**623,207**	**12,580**	**851,540**
Net (loss)/return	–	–	–	(35,712)	8,904	(26,808)
Dividend paid in the year (note 10)	–	–	–	–	(8,062)	(8,062)
At 30th September 2019	**40,312**	**8,650**	**166,791**	**587,495**	**13,422**	**816,670**

[1] This reserve forms the distributable reserve of the Company and may be used to fund distributions to investors via dividend payments.

The notes on pages 60 to 76 form an integral part of these financial statements.

AT 30TH SEPTEMBER 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	923,818	976,724
Current assets	12		
Debtors		3,112	7,001
Cash and cash equivalents		3,073	7,278
		6,185	14,279
Current liabilities	13		
Creditors: amounts falling due within one year		(16,292)	(4,951)
Net current (liabilities)/assets		(10,107)	9,328
Total assets less current liabilities		913,711	986,052
Creditors: amounts falling due after more than one year	14	(97,041)	(134,512)
Net assets		816,670	851,540
Capital and reserves			
Called up share capital	15	40,312	40,312
Capital redemption reserve	16	8,650	8,650
Other reserve	16	166,791	166,791
Capital reserves	16	587,495	623,207
Revenue reserve	16	13,422	12,580
Total shareholders' funds		816,670	851,540
Net asset value per share	17	506.5p	528.1p

The financial statements on pages 57 to 59 were approved and authorised for issue by the Directors on 13th December 2019 and were signed on their behalf by:

Christopher Samuel
Chairman

The notes on pages 60 to 76 form an integral part of these financial statements.

Company registration number: 223583.

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	2019 £'000	2018 £'000
Net cash outflow from operations before dividends and interest	18	(2,817)	(4,461)
Dividends received		9,976	10,902
Interest paid		(1,438)	(1,262)
Net cash inflow from operating activities		**5,721**	**5,179**
Purchases of investments		(179,657)	(404,862)
Sales of investments		212,445	379,693
Settlement of forward currency contracts		(85)	15
Net cash inflow/(outflow) from investing activities		**32,703**	**(25,154)**
Dividend paid		(8,062)	(8,062)
Drawdown of bank loan		–	32,990
Drawdown of senior secured loan note		–	88,967
Repayment of bank loan		(34,512)	(90,235)
Net cash (outflow)/inflow from financing activities		**(42,574)**	**23,660**
(Decrease)/increase in cash and cash equivalents		**(4,150)**	**3,685**
Cash and cash equivalents at start of year		7,278	3,551
Exchange movements		(55)	42
Cash and cash equivalents at end of year		3,073	7,278
(Decrease)/increase in cash and cash equivalents		**(4,150)**	**3,685**
Cash and cash equivalents consist of:			
Cash and short term deposits	12	3,073	7,278

FOR THE YEAR ENDED 30TH SEPTEMBER 2019

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value, in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in November 2014 and updated in February 2018. The revised SORP issued in October 2019 is applicable for accounting periods beginning on or after 1st January 2019. The Company has chosen not to early adopt the revised SORP.

All of the Company's operations are of a continuing nature.

The financial statements have been prepared on a going concern basis. The disclosures on going concern on page 43 form part of these financial statements.

The policies applied in these financial statements are consistent with those applied in the preceding year.

(b) Valuation of investments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors.

Accordingly, upon initial recognition the investments are designated by the Company as held at fair value through profit or loss. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

All purchases and sales are accounted for on a trade date basis.

(c) Accounting for reserves

Gains and losses on sales of investments including the related foreign exchange gains and losses, realised gains and losses on foreign currency contracts, management fees and finance costs allocated to capital and any other capital charges, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Gains and losses on sales of investments'.

Increases and decreases in the valuation of investments held at the year end including the related foreign exchange gains and losses, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Investment holding gains and losses'.

(d) Income

Dividends receivable from equity shares are included in revenue on an ex-dividend basis except where, in the opinion of the Board, the dividend is capital in nature, in which case it is included in capital.

Overseas dividends are included gross of any withholding tax.

Special dividends are looked at individually to ascertain the reason behind the payment. This will determine whether they are treated as revenue or capital.

Deposit interest receivable is taken to revenue on an accruals basis.

Stock lending income is taken to revenue on an accruals basis. In all cases securities lent continue to be recognised in the Statement of Financial Position.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue with the following exceptions:

- The management fee is allocated 20% to revenue and 80% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- Expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 11 on page 66.

(f) Finance costs

Finance costs are accounted for on an accruals basis using the effective interest method.

Finance costs are allocated 20% to revenue and 80% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

(g) Financial instruments

Cash and cash equivalents may comprise cash including demand deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Other debtors and creditors do not carry any interest, are short term in nature and are accordingly stated at nominal value, with debtors reduced by appropriate allowances for estimated irrecoverable amounts.

Bank loans are classified as financial liabilities measured at amortised cost. They are initially measured as proceeds net of direct issue costs and subsequently measured at amortised cost. Interest payable on the bank loan is accounted for on an accruals basis in the Statement of Comprehensive Income.

Senior secured loan notes (the 'Notes') in issue are classified as financial liabilities at amortised cost. They were initially measured at the proceeds net of direct issue costs and subsequently measured at amortised cost. The amortisation of direct issue costs are accounted for on an accruals basis in the Statement of Comprehensive Income using the effective interest method.

(h) Taxation

Current tax is provided at the amounts expected to be paid or recovered.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax liabilities are recognised for all taxable timing differences but deferred tax assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which those timing differences can be utilised.

Deferred tax is measured at the tax rate which is expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date and is measured on an undiscounted basis.

Tax relief is allocated to expenses charged to capital on the 'marginal basis'. On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to capital.

(i) Value Added Tax ('VAT')

Expenses are disclosed inclusive of the related irrecoverable VAT. Recoverable VAT is calculated using the partial exemption method based on the proportion of zero rated supplies to total supplies.

1. Accounting policies *continued*

(j) Foreign currency

The Company is required to identify its functional currency, being the currency of the primary economic environment in which the Company operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined that sterling is the functional currency. Sterling is also the currency in which the financial statements are presented.

Transactions denominated in foreign currencies are converted at actual exchange rates at the date of the transaction. Monetary assets, liabilities and equity investments held at fair value, denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included in the Statement of Comprehensive Income as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature.

(k) Dividend payable

Dividends are included in the financial statements in the year in which they are approved by shareholders.

(l) Repurchase of ordinary shares for cancellation

The cost of repurchasing ordinary shares including the related stamp duty and transactions costs is charged to 'Capital reserves' and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. The nominal value of ordinary share capital repurchased and cancelled is transferred out of 'Called up share capital' and into 'Capital redemption reserve'.

2. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements on occasion requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

The Directors do not believe that any significant accounting judgements or estimates have been applied to this set of financial statements, including estimates that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. (Losses)/gains on investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Gains on investments held at fair value through profit or loss based on historic cost	3,885	91,005
Amounts recognised as investment holding gains and losses in the previous year in respect of investments sold during the year	(50,831)	(78,480)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(46,946)	12,525
Net movement in investment holding gains and losses	26,994	166,991
Other capital charges	(5)	(1)
Total capital (losses)/gains on investments held at fair value through profit or loss	**(19,957)**	**179,515**

4. Income

	2019 £'000	2018 £'000
Income from investments		
Overseas dividends	10,673	11,665
Other income:		
Stock lending	1,140	293
Total income	**11,813**	**11,958**

5. Management fee

	Revenue 2019 £'000	Capital 2019 £'000	Total 2019 £'000	Revenue 2018 £'000	Capital 2018 £'000	Total 2018 £'000
Management fee	880	3,521	4,401	905	3,622	4,527

Details of the management fee are given in the Directors' Report on pages 35 to 36.

6. Other administrative expenses

	2019 £'000	2018 £'000
Administrative expenses	362	395
Directors' fees[1]	153	141
Depositary fees	96	100
Overseas board trip expenses	38	32
Auditors' remuneration for audit services	23	22
	672	**690**

[1] Full disclosure is given in the Directors' Remuneration Report on pages 45 to 46.

7. Finance costs

	Revenue 2019 £'000	Capital 2019 £'000	Total 2019 £'000	Revenue 2018 £'000	Capital 2018 £'000	Total 2018 £'000
Senior secured loan notes interest	211	845	1,056	251	1,003	1,254
Interest on bank loans and overdrafts	79	316	395	31	124	155
	290	**1,161**	**1,451**	**282**	**1,127**	**1,409**

8. Taxation

(a) Analysis of tax charge for the year

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Overseas withholding tax	1,067	–	1,067	1,168	–	1,168
Total tax charge for the year	**1,067**	**–**	**1,067**	**1,168**	**–**	**1,168**

(b) Factors affecting the total tax charge for the year

The tax charge for the year is higher than (2018: lower) the Company's applicable rate of corporation tax of 19.0% (2018: 19.0%) The factors affecting the total tax charge for the year are as follows:

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000	2018 Revenue £'000	2018 Capital £'000	2018 Total £'000
Net return/(loss) before taxation	9,971	(35,712)	(25,741)	10,081	171,851	181,932
Net return/(loss) before taxation multiplied by the Company's applicable rate of corporation tax of 19.0% (2018: 19.0%)	1,894	(6,785)	(4,891)	1,915	32,652	34,567
Effects of:						
Non taxable overseas dividends	(2,028)	–	(2,028)	(2,221)	–	(2,221)
Non taxable capital losses/(gains)	–	5,895	5,895	–	(33,554)	(33,554)
Income taxed in different years	–	–	–	37	–	37
Overseas withholding tax	1,067	–	1,067	1,168	–	1,168
Unutilised expenses carried forward to future periods	134	890	1,024	272	902	1,174
Deferred tax relief expensed	–	–	–	(3)	–	(3)
Total tax charge for the year	**1,067**	**–**	**1,067**	**1,168**	**–**	**1,168**

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £8,897,000 (2018: £7,982,000) based on a prospective corporation tax rate of 17.0% (2018: 17.0%). The UK Corporation tax is enacted to fall to 17% effective on 1st April 2020. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

Given the Company's status as an Investment Trust Company and the intention to continue meeting the conditions required to obtain approval, the Company has not provided deferred tax on any capital gains or losses arising on the revaluation or disposal of investments.

9. Return/(loss) per share

	2019 £'000	2018 £'000
Revenue return	8,904	8,913
Capital (loss)/return	(35,712)	171,851
Total (loss)/return	**(26,808)**	**180,764**
Weighted average number of shares in issue during the year	161,248,078	161,248,078
Revenue return per share	5.52p	5.53p
Capital (loss)/return per share	(22.15)p	106.58p
Total (loss)/return per share	**(16.63)p**	**112.11p**

10. Dividends

(a) Dividends paid and proposed

	2019 £'000	2018 £'000
Dividend paid		
2018 final dividend paid of 5.0p (2017: 5.0p) per share	8,062	8,062
Dividend proposed		
2019 final dividend proposed of 5.0p (2018: 5.0p) per share	8,062	8,062

All dividends paid and proposed in the year are and will be funded from the revenue reserve.

The dividend proposed in respect of the year ended 30th September 2019 is subject to shareholder approval at the forthcoming Annual General Meeting. In accordance with the accounting policy of the Company, this dividend will be reflected in the financial statements for the year ending 30th September 2020.

(b) Dividend for the purposes of Section 1158 of the Corporation Tax Act 2010 ('Section 1158')

The requirements of Section 1158 are considered on the basis of the dividend proposed in respect of the financial year, shown below. The revenue available for distribution by way of dividend for the year is £8,904,000 (2018: £8,913,000). The revenue reserve after payment of the final dividend will amount to £5,360,000.

	2019 £'000	2018 £'000
Final dividend proposed of 5.0p (2018: 5.0p) per share	8,062	8,062

11. Investments held at fair value through profit or loss

	2019 £'000	2018 £'000
Investments listed on a recognised stock exchange	923,818	976,724
Opening book cost	676,450	559,381
Opening investment holding gains	300,274	211,762
Opening valuation	976,724	771,143
Movements in the year:		
Purchases at cost	175,989	409,299
Sales proceeds	(208,943)	(383,234)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(46,946)	12,525
Net movement in investment holding gains and losses	26,994	166,991
	923,818	976,724
Closing book cost	647,381	676,450
Closing investment holding gains	276,437	300,274
Total investments held at fair value through profit or loss	**923,818**	**976,724**

Transaction costs on purchases during the year amounted to £76,000 (2018: £207,000) and on sales during the year amounted to £71,000 (2018: £163,000). These costs comprise mainly brokerage commission.

During the year, prior year investment holding losses amounting to £50,831,000 have been transferred to Gains and losses on sales of investments as disclosed in note 16 on page 68.

12. Current assets

	2019 £'000	2018 £'000
Debtors		
Securities sold awaiting settlement	37	3,545
Dividends and interest receivable	3,039	3,409
Other debtors	36	47
	3,112	**7,001**

The Directors consider that the carrying amount of debtors approximates to their fair value.

Cash and cash equivalents

Cash and cash equivalents comprises bank balances and short term deposits. The carrying amount of these represents their fair value.

13. Current liabilities

	2019 £'000	2018 £'000
Creditors: amounts falling due within one year		
Bank loan	15,017	–
Securities purchased awaiting settlement	980	4,648
Senior secured loan notes interest payable	174	155
Other creditors and accruals	109	105
Bank loan interest payable	12	43
	16,292	**4,951**

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

14. Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
¥13 billion senior secured loan notes	97,041	87,253
Bank loan	–	47,259
	97,041	**134,512**

During the year the Company had a 3 year floating rate revolving credit facility with National Australia Bank ('NAB') maturing on 5th December 2019, for ¥11.0 billion. At 30th September 2019, the Company had drawn down ¥2.0 billion (£15.0 million) of this facility (see note 13 above).

During the year the company has five senior secured loan notes as follows:

- ¥2 Billion fixed rate 10 year series A senior secured loan notes at an annual coupon of 0.76% which will expire on 2nd August 2028.
- ¥2.5 Billion fixed rate 15 year series B senior secured loan notes at an annual coupon of 0.95% which will expire on 2nd August 2033.
- ¥2.5 Billion fixed rate 20 year series C senior secured loan notes at an annual coupon of 1.11% which will expire on 2nd August 2038.
- ¥2.5 Billion fixed rate 25 year series D senior secured loan notes at an annual coupon of 1.21% which will expire on 2nd August 2043.
- ¥3.5 Billion fixed rate 30 year series E senior secured loan notes at an annual coupon of 1.33% which will expire on 2nd August 2048.

15. Called up share capital

	2019 £'000	2018 £'000
Issued and fully paid share capital:		
Ordinary shares of 25p each		
Opening balance of 161,248,078 (2018: 161,248,078) shares	40,312	40,312
Closing balance	**40,312**	**40,312**

Further details of transactions in the Company's shares are given in the Directors' Report on pages 36 and 37.

16. Capital and reserves

	Called up share capital £'000	Capital redemption reserve £'000	Other reserve[1] £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Investment holding gains and losses £'000	Capital reserves: Unrealised capital reserve £'000	Capital reserves total £'000	Revenue reserve[2] £'000	Total £'000
Opening balance	**40,312**	**8,650**	**166,791**	**321,113**	**300,273**	**1,821**	**623,207**	**12,580**	**851,540**
Net foreign currency gains on cash and cash equivalents	–	–	–	960	–	–	960	–	960
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	(46,946)	–	–	(46,946)	–	(46,946)
Net movement in investment holding gains and losses	–	–	–	–	26,994	–	26,994	–	26,994
Transfer on disposal of investments	–	–	–	50,831	(50,831)	–	–	–	–
Unrealised exchange losses on foreign currency loan	–	–		–	–	(11,278)	(11,278)	–	(11,278)
Realised losses on repayment of loans	–	–	–	(755)	–	–	(755)	–	(755)
Transfer on loans repaid in year	–	–	–	76	–	(76)	–	–	–
Management fee and finance costs charged to capital	–	–	–	(4,682)	–	–	(4,682)	–	(4,682)
Other capital charges	–	–	–	(5)	–	–	(5)	–	(5)
Dividend paid in the year	–	–	–	–	–	–	–	(8,062)	(8,062)
Retained revenue for the year	–	–	–	–	–	–	–	8,904	8,904
Closing balance	**40,312**	**8,650**	**166,791**	**320,592**	**276,436**	**(9,533)**	**587,495**	**13,422**	**816,670**

[1] Created during the year ended 30th September 1999, following a cancellation of the share premium account.

[2] This reserve forms the distributable reserve of the Company and may be used to fund distributions to investors via dividend payments.

17. Net asset value per share

	2019	2018
Net assets (£'000)	816,670	851,540
Number of shares in issue	161,248,078	161,248,078
Net asset value per share	**506.5p**	**528.1p**

18. Reconciliation of net (loss)/return before finance costs and taxation to net cash outflow from operations before dividends and interest

	2019 £'000	2018 £'000
Net (loss)/return before finance costs and taxation	(24,290)	183,341
Add capital loss/(less capital return) before finance costs and taxation	34,551	(172,978)
Decrease in accrued income and other debtors	381	393
Increase/(decrease) in accrued expenses	5	(20)
Tax on unfranked investment income	(1,067)	(1,168)
Management fee charged to capital	(3,521)	(3,622)
Dividends received	(9,976)	(10,902)
Realised gains on foreign currency transactions	1,100	495
Net cash outflow from operations before dividends and interest	**(2,817)**	**(4,461)**

19. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2018: same).

20. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on pages 35 to 36. The management fee payable to the Manager for the year was £4,401,000 (2018: £4,527,000) of which £nil (2018: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 63 are safe custody fees amounting to £96,000 (2018: £111,000) payable to JPMorgan Chase Bank, N.A., of which £18,000 (2018: £19,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities for the year was £1,000 (2018: £11,000) of which £nil (2018: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £5,000 (2018: £1,000) were payable to JPMorgan Chase Bank N.A. during the year of which £1,000 (2018: £2,000) was outstanding at the year end.

At the year end, total cash of £3,073,000 (2018: £7,278,000) was held with JPMorgan Chase. A net amount of interest of £nil (2018: £nil) was receivable by the Company during the year from JPMorgan Chase of which £nil (2018: £nil) was outstanding at the year end.

Stock lending income amounting to £1,140,000 (2018: £293,000) was receivable by the Company during the year. JPMAM commissions in respect of such transactions amounted to £141,000 (2018: £52,000).

Full details of Directors' remuneration and shareholdings can be found on pages 45 and 46 and in note 6 on page 63.

21. Disclosures regarding financial instruments measured at fair value

The Company's financial instruments within the scope of FRS 102 that are held at fair value comprise its investment portfolio and derivative financial instruments.

The investments are categorised into a hierarchy consisting of levels 1, 2 and 3.

(1) The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date

The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

(2) Inputs other than quoted prices included within Level 1 that are observable (ie: developed using market data) for the asset or liability, either directly or indirectly

When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

(3) Inputs are unobservable (ie: for which market data is unavailable) for the asset or liability

If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset.

Details of the valuation techniques used by the Company are given in note 1(b) on page 60.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 30th September.

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	923,818	–	976,724	–
Total	**923,818**	**–**	**976,724**	**–**

There were no transfers between Level 1, 2 or 3 during the year (2018: same).

22. Financial instruments' exposure to risk and risk management policies

As an investment trust, the Company invests in equities for the long term so as to secure its investment objective stated on the 'Features' page. In pursuing this objective, the Company is exposed to a variety of financial risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends.

These financial risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates the Company's risk management policy.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below, have not changed from those applying in the comparative year.

The Company's classes of financial instruments are as follows:

- investments in equity shares of Japanese companies which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations;
- a loan facility; and
- senior secured loan notes issued by the Company.

(a) Market risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements - currency risk, interest rate risk and other price risk. Information to enable an evaluation of the nature and extent of these three elements of market risk is given in parts (i) to (iii) of this note 22(a), together with sensitivity analyses where appropriate. The Board reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. The Manager assesses the exposure to market risk when making each investment decision and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(i) Currency risk

The Company's functional currency and the currency in which it reports, is sterling. However the Company's assets, liabilities and income are almost entirely denominated in yen. As a result, movements in exchange rates will affect the sterling value of those items.

Management of currency risk

It is not currently, nor has it been for many years past, the Company's policy to hedge against foreign currency risk. Shareholders should expect given the Company's investment objectives that they will be exposed to the risks of movements in the value of yen versus the base currency. The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least four occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the yen/sterling exchange rate. Yen denominated borrowing may be used to limit the exposure of the Company's portfolio to the yen/sterling exchange rate. Income is converted to sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements.

Foreign currency exposure

The fair value of the Company's monetary items that have exposure to the yen at 30th September are shown below. The Company's investments (which are not monetary items) have been included separately in the analysis so as to show the overall level of exposure.

	2019				2018			
	Yen £'000	US Dollar £'000	New Zealand Dollar £'000	Total £'000	Yen £'000	US Dollar £'000	New Zealand Dollar £'000	Total £'000
Current assets	5,963	2	5	5,970	14,138	2	5	14,145
Creditors	(113,224)	–	–	(113,224)	(139,359)	–	–	(139,359)
Foreign currency exposure on net monetary items	(107,261)	2	5	(107,254)	(125,221)	2	5	(125,214)
Investments held at fair value through profit or loss	923,818	–	–	923,818	976,724	–	–	976,724
Total net foreign currency exposure	**816,557**	**2**	**5**	**816,564**	**851,503**	**2**	**5**	**851,510**

In the opinion of the Directors, the above year end amounts are broadly representative of the exposure to foreign currency risk during the year.

22. Financial instruments' exposure to risk and risk management policies *continued*

(a) Market risk *continued*

(i) Currency risk *continued*

Foreign currency sensitivity

The following tables illustrate the sensitivity of return/(loss) after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and the income receivable in foreign currency and assumes a 10% (2018: 10%) appreciation or depreciation in sterling against the yen, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

	2019		2018	
	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000
Statement of Comprehensive Income - return/(loss) after taxation				
Revenue (loss)/return	(1,067)	1,067	(1,167)	1,167
Capital return/(loss)	10,725	(10,725)	12,521	(12,521)
Total return/(loss) after taxation	9,658	(9,658)	11,354	(11,354)
Net assets	**9,658**	**(9,658)**	**11,354**	**(11,354)**

In the opinion of the Directors, the above sensitivity analysis is not representative of the whole of the current or comparative year due to fluctuation in drawings on the yen loan facility and the new senior secured loan notes.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on the Company's variable rate cash borrowings. The Directors have sought to reduce interest rate risk by entering into long term fixed rate borrowing which accounted for 86.6% (2018: 64.9%) of total borrowings.

Management of interest rate risk

The Company does not normally hold significant cash balances. Short term borrowings are used when required. The Company may finance part of its activities through borrowings at levels approved and monitored by the Board. The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the loan facility. However, amounts drawn down on this facility are for short term periods and therefore exposure to interest rate risk is not significant.

Interest rate exposure

The exposure of financial assets and liabilities to floating interest rates, giving cash flow interest rate risk when rates are reset, is shown below.

	2019 £'000	2018 £'000
Exposure to floating interest rates:		
Cash and cash equivalents	3,073	7,278
Floating rate bank loan	(15,017)	(47,259)
Total exposure	**(11,944)**	**(39,981)**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2018: same).

Interest rate sensitivity

The following table illustrates the sensitivity of the return/(loss) after taxation for the year and net assets to a 1% (2018: 1%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date, with all other variables held constant.

	2019		2018	
	1% increase in rate £'000	1% decrease in rate £'000	1% increase in rate £'000	1% decrease in rate £'000
Statement of Comprehensive Income - (loss)/return after taxation				
Revenue return/(loss)	1	(1)	(22)	22
Capital (loss)/return	(120)	120	(378)	378
Total (loss)/return after taxation for the year	(119)	119	(400)	400
Net assets	**(119)**	**119**	**(400)**	**400**

In the opinion of the Directors, the above sensitivity analysis is calculated based on the Company's year end positions and therefore it may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances and amounts drawn down on the loan facility.

(iii) Other price risk

Other price risk includes changes in market prices, other than those arising from interest rate risk or currency risk, which may affect the value of equity investments.

Management of other price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

Other price risk exposure

The Company's total exposure to changes in market prices at 30th September comprises its holdings in equity investments as follows:

	2019 £'000	2018 £'000
Investments held at fair value through profit or loss	923,818	976,724

The above data is broadly representative of the exposure to other price risk during the current and comparative year.

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 26 and 27. This shows that all investments are in Japanese listed equities. Accordingly, there is a concentration of exposure to that country. However, it should also be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

22. Financial instruments' exposure to risk and risk management policies *continued*

(a) Market risk *continued*

(iii) Other price risk *continued*

Other price risk sensitivity

The following table illustrates the sensitivity of return/loss after taxation for the year and net assets to an increase or decrease of 10% (2018: 10%) in the market value of equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee but with all other variables held constant.

	2019		2018	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income - return/(loss) after taxation				
Revenue (loss)/return	(75)	90	(78)	87
Capital return/(loss)	92,082	(92,023)	97,360	(97,325)
Total return/(loss) after taxation	92,007	(91,933)	97,282	(97,238)
Net assets	**92,007**	**(91,933)**	**97,282**	**(97,238)**

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management of the risk

Liquidity risk is not significant as the Company's assets comprise readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities. The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities, working capital requirements and to gear the Company as appropriate. Details of the current loan facilities are given in note 14 on page 67.

Liquidity risk exposure

Contractual maturities of the financial liabilities, based on the earliest date on which payment can be required are as follows:

	2019			
	Three months or less £'000	More than three months but not more than one year £'000	More than one year £'000	Total £'000
Creditors: amounts falling due within one year				
Bank loan - including interest	15,095	–	–	15,095
Securities purchased awaiting settlement	980	–	–	980
Other creditors and accruals	109	–	–	109
Creditors: amounts falling due after more than one year				–
Senior secured loan notes - including interest	431	785	118,198	119,414
	16,615	**785**	**118,198**	**135,598**

	2018			
	Three months or less £'000	More than three months but not more than one year £'000	More than one year £'000	Total £'000
Creditors:				
Securities purchased awaiting settlement	4,648	–	–	4,648
Other creditors and accruals	105	–	–	105
Bank loan & senior secured loan notes - including interest	539	1,043	154,547	156,129
	5,292	**1,043**	**154,547**	**160,882**

The liabilities shown above represent future contractual payments and therefore may differ from the amounts shown in the Statement of Financial Position.

(c) Credit risk

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Company.

Management of credit risk

Portfolio dealing

The Company invests in markets that operate Delivery Versus Payments ('DVP') settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. However, the Company's holdings in Participatory Notes and Warrants are subject to counterparty risk associated with each issuer. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash and cash equivalents

Counterparties are subject to regular credit analysis by the Manager and deposits can only be placed with counterparties that have been approved by JPMAM's Counterparty Risk Group.

Exposure to JPMorgan Chase

JPMorgan Chase Bank, N.A. is the custodian of the Company's assets. The Company's assets are segregated from JPMorgan Chase's own trading assets. Therefore these assets are designed to be protected from creditors in the event that JPMorgan Chase were to cease trading. The Depositary, Bank of New York Mellon (International) Limited, is responsible for the safekeeping of all custodial assets of the Company and for verifying and maintaining a record of all other assets of the Company. However, no absolute guarantee can be given on the protection of all the assets of the Company.

Credit risk exposure

The amounts shown in the Statement of Financial Position under debtors and cash and cash equivalents represent the maximum exposure to credit risk at the current and comparative year ends.

The aggregate value of securities on loan at 30th September 2019 amounted to £114.3 million (2018: £87.9 million) and the maximum value of stock on loan during the year amounted to £134.9 million (2018: £96.7 million). Collateral is obtained by JPMorgan Asset Management and is called in on a daily basis to a value of 102% of the value of the securities on loan if that collateral is denominated in the same currency as the securities on loan and 105% if it is denominated in a different currency.

22. Financial instruments' exposure to risk and risk management policies *continued*

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the Statement of Financial Position at fair value or the carrying amount is a reasonable approximation of fair value except for the senior secured loan notes disclosed below. The fair value of the Company's ¥13 billion senior secured loan notes has been calculated using discount cash flow techniques, using the yield from a similar date gilt plus a margin based on the five year average for the AA Barclays Yen Corporate Bond Spread.

	Carrying value		Fair value	
	2019	2018	2019	2018
	£'m	£'m	£'m	£'m
¥13 billion senior secured loan notes	97.0	87.3	110.7	94.6

23. Capital management policies and procedures

The Company's debt and capital structure comprises the following:

	2019 £'000	2018 £'000
Debt:		
Bank loan	15,017	47,259
Senior secured loan notes	97,041	87,253
	112,058	**134,512**
Equity:		
Called up share capital	40,312	40,312
Reserves	776,358	811,228
	816,670	**851,540**
Total debt and equity	**928,728**	**986,052**

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise capital return to its equity shareholders through an appropriate level of gearing.

The Board's policy is to limit gearing within the range of 5% net cash to 20% geared in normal market conditions.

	2019 £'000	2018 £'000
Investments held at fair value through profit or loss	923,818	976,724
Net assets	816,670	851,540
Gearing	**13.1%**	**14.7%**

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the planned level of gearing, which takes into account the Manager's views on the market;
- the need to buy back equity shares, either for cancellation or to hold in Treasury, which takes into account the share price discount or premium; and
- the need for issues of new shares, including issues from Treasury.

24. Subsequent events

On 5th December 2019 the then current revolving credit facility with National Australia Bank expired and on the same day a new three year revolving credit facility of up to Yen 11 bn was entered into with Scotiabank.

Regulatory Disclosures

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ('AIFMD') DISCLOSURE (UNAUDITED)

Leverage

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

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD, as at 30th September 2019, which gives the following figures:

	Gross Method	Commitment Method
Maximum limit	200%	200%
Actual[1]	113%	113%

[1] The above figures are theoretical and are calculated in accordance with the methodology prescribed by the AIFMD.

JPMorgan Funds Limited (the '**Management Company**') is the authorised manager of JPM Asian Income Trust plc (the '**Company**') and is part of the J.P. Morgan Chase & Co. group of companies. In this section, the terms 'J.P. Morgan' or 'Firm' refer to that group, and each of the entities in that group globally, unless otherwise specified.

This section of the annual report has been prepared in accordance with the Alternative Investment Fund Managers Directive (the 'AIFMD'), the European Commission Delegated Regulation supplementing the AIFMD, and the 'Guidelines on sound remuneration policies' issued by the European Securities and Markets Authority under the AIFMD. The information in this section is in respect of the most recent complete remuneration period (the **'Performance Year'**) as at the reporting date.

This section has also been prepared in accordance with the relevant provisions of the Financial Conduct Authority Handbook (FUND 3.3.5).

Remuneration Policy

A summary of the Remuneration Policy currently applying to the Management Company (the '**Remuneration Policy Statement**') can be found at https://am.jpmorgan.com/gb/en/asset-management/gim/per/legal/emea-remuneration-policy. This Remuneration Policy Statement includes details of how remuneration and benefits are calculated, including the financial and non-financial criteria used to evaluate performance, the responsibilities and composition of the Firm's Compensation and Management Development Committee, and the measures adopted to avoid or manage conflicts of interest. A copy of this policy can be requested free of charge from the Management Company.

The Remuneration Policy applies to all employees of the Management Company, including individuals whose professional activities may have a material impact on the risk profile of the Management Company or the Alternative Investment Funds it manages ('**AIFMD Identified Staff**'). The AIFMD Identified Staff include members of the Board of the Management Company (the '**Board**'), senior management, the heads of relevant Control Functions, and holders of other key functions. Individuals are notified of their identification and the implications of this status on at least an annual basis.

The Board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of AIFMD Identified Staff. The Board last reviewed and adopted the Remuneration Policy that applied for the 2018 Performance Year in June 2018 with no material changes and was satisfied with its implementation.

Quantitative Disclosures

The table below provides an overview of the aggregate total remuneration paid to staff of the Management Company in respect of the 2018 Performance Year and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an Assets Under Management ('AUM') weighted basis.

Due to the Firm's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 32 Alternative Investment Funds and two UCITS (with 32 sub-funds) as at 31st December 2018, with a combined AUM as at that date of £12,595 million and £13,316 million respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company ($'000s)	14,408	8,631	23,039	107

The aggregate 2018 total remuneration paid to AIFMD Identified Staff was USD $68,884,000, of which USD $12,470,000 relates to Senior Management and USD $56,414,000 relates to other Identified Staff[1].

[1] Since 2017, the AIFMD identified staff disclosures includes employees of the companies to which portfolio management has been formally delegated in line with the latest ESMA guidance.

SECURITIES FINANCING TRANSACTIONS REGULATION ('SFTR') DISCLOSURE (UNAUDITED)

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to SFTR for the accounting year ended 30th September 2019 are detailed below.

Global Data

Amount of securities on loan

The total value of securities on loan as a proportion of the Company's total lendable assets, as at the balance sheet date, is 12.36%.

Total lendable assets represents the aggregate value of assets types forming part of the Company's securities lending programme

Amount of assets engaged in securities lending

The following table represents the total value of assets engaged in securities lending:

	Value £'000	% of AUM
Securities lending	114,293	14.00%

Concentration and Aggregate transaction data

Counterparties

The following table provides details of the counterparties (based on gross volume of outstanding transactions with exposure on a gross absolute basis) in respect of securities lending as at the balance sheet date:

Counterparty	Country of incorporation	Value £'000
Morgan Stanley	United States of America	65,705
Deutsche Bank	Germany	16,068
JP Morgan	United States of America	15,682
Credit Suisse Group	United States of America	4,801
Merrill Lynch	United States of America	4,517
BMO Capital Markets	Canada	3,164
UBS	Switzerland	2,727
Citigroup	United States of America	728
Jefferies	United States of America	641
Societe Generale	France	260
Total		**114,293**

Maturity tenor of Security lending transactions

The Company's securities lending transactions have open maturity.

Collateral issuers

The following table lists the issuers by value of non-cash collateral received by the Company by way of title transfer collateral arrangement across securities lending transactions, as at the balance sheet date:

Issuer	Collateral Value £'000
United States of America Treasury	27,466
United Kingdom Treasury	19,945
Republic of Austria Government	10,097
Federal Government Republic of Germany	6,995
French Republic Government	5,224
Kingdom of Netherlands Government	4,915
Kingdom of Belgium Government	2,299
Republic of Finland Government	1,532
Total	**78,473**

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

Type, quality and currency of collateral

The following table provides an analysis of the type, quality and currency of non-cash collateral received by the Company in respect of securities lending transactions as at the balance sheet date.

Type	Quality	Currency	Value £'000
Sovereign Debt	Investment Grade	EUR	31,062
Sovereign Debt	Investment Grade	GBP	19,945
Treasury Notes	Investment Grade	USD	19,008
Treasury Bonds	Investment Grade	USD	8,320
Treasury Bills	Investment Grade	USD	138
Total			**78,473**

Maturity tenor of collateral

The following table provides an analysis of the maturity tenor of non-cash collateral received in relation to securities lending transactions as at the balance sheet date.

Maturity	Value £'000
1 day to 1 week	37
1 week to 1 month	2,772
1 to 3 months	2,212
3 to 12 months	2,881
more than 1 year	70,571
Total	**78,473**

Settlement and clearing

The Company's securities lending transactions including related collaterals are settled and cleared either bi-laterally, tri-party or through a central counterparty.

Re-use of collateral

Share of collateral received that is reused and reinvestment return

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions cannot be sold, re-invested or pledged.

Cash collateral received of £45,740,000 in the context of securities lending transactions may be reused in accordance with the provisions contained within the Prospectus.

Safekeeping of collateral

All collateral received by the Company in respect of securities lending transactions as at the balance sheet date £124,213,000 is held by the Depository.

Return and cost

JPMorgan Chase Bank, N.A (JPMCB), the lending agent, receives a fee of 10% of the gross revenue for its services related to the Stock Lending Transactions. The remainder of the revenue, 90%, is received by the Company i.e. for the benefit of Shareholders.

Shareholder Information

Notice is hereby given that the ninety-first Annual General Meeting of JPMorgan Japanese Investment Trust plc will be held at the Offices of JPMorgan, 60 Victoria Embankment, London EC4Y 0JP on Friday, 17th January 2020 at 12.30 p.m. for the following purposes:

1. To receive the Directors' Report & Financial Statements and the Auditors' Report for the year ended 30th September 2019.
2. To approve the Director's Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 30th September 2019.
4. To approve a final dividend of 5.0p per share.
5. To reappoint Stephen Cohen as a Director of the Company.
6. To reappoint Sir Stephen Gomersall as a Director of the Company.
7. To appoint Sally Macdonald as a Director of the Company.
8. To reappoint George Olcott as a Director of the Company.
9. To reappoint Christopher Samuel as a Director of the Company.
10. To reappoint PricewaterhouseCoopers LLP as the Auditors of the Company.
11. To authorise the Directors to determine the Auditors' remuneration.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

12. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised, (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers for the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £4,031,200 or, if different the aggregate nominal amount representing approximately 10% of the Company's issued Ordinary share capital as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2021 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

Authority to disapply pre-emption rights on allotment of relevant securities – Special Resolution

13. THAT subject to the passing of Resolution 12 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 12 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £4,031,200 or, if different the aggregate nominal amount representing approximately 10% of the issued share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 12 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

14. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of its issued Ordinary shares of 25p each in the capital of the Company on such terms and in such manner as the Directors may from time to time determine.

    PROVIDED ALWAYS THAT

    (i) the maximum number of Ordinary shares hereby authorised to be purchased shall be 24,171,085 or, if less, that number of Ordinary shares which is equal to 14.99% of the Company's issued share capital (less shares held in Treasury) as at the date of the passing of this resolution;

    (ii) the minimum price which may be paid for an Ordinary share shall be 25p;

    (iii) the maximum price which may be paid for an Ordinary share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for an Ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary share is contracted to be purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

(iv) any purchase of Ordinary shares will be made in the market for cash at prices below the prevailing net asset value per Ordinary share (as determined by the Directors);

(v) the authority hereby conferred shall expire on 16th July 2021 unless the authority is renewed at the Annual General Meeting in 2021 or at any other general meeting prior to such time; and

(vi) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary shares pursuant to any such contract.

By order of the Board
Faith Pengelly,
for and on behalf of
JPMorgan Funds Limited,
Secretary

20th December 2019

Notes

These notes should be read in conjunction with the notes on the reverse of the proxy form.

1. A member entitled to attend and vote at the Annual General Meeting (the 'Meeting') may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.

2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.

3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 12.30 p.m. two business days prior to the Meeting (i.e. excluding weekends and bank holidays).

4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.

5. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If however the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.

6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.

7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative(s) may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

   Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.

8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's financial statements (including the Auditors' report and the conduct of the audit) that are to be laid before the Meeting; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website pursuant to this right.

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.

10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

11. A copy of this Notice of Meeting has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

12. In accordance with Section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting, the total voting rights members are entitled to exercise at the Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice will be available on the Company's website www.jpmjapanese.co.uk.

13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). It will also be available for inspection at the Meeting. No Director has any contract of service with the Company.

14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.

15. As an alternative to completing a hard copy Form of Proxy/Voting Instruction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Instruction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.

16. As at 13th December 2019 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 161,248,078 ordinary shares carrying one vote each. Therefore the total voting rights in the Company are 161,248,078.

17. A copy of the current articles of association of the Company will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of JPMorgan Asset Management (UK) Limited, 60 Victoria Embankment, London EC4Y 0JP, from the date of the Annual Report in which this notice is included up until the close of the AGM. Copies will also be available at 60 Victoria Embankment, London EC4Y 0JP, being the place of the Annual General Meeting, for 15 minutes prior to, and during, the meeting.

Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

Return to Shareholders (APM)
Total return to the shareholders, on a last traded price to last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

Total return calculation	Page	Year ended 30th September 2019	Year ended 30th September 2018	
Opening share price (p)	5	458.0	372.0	(a)
Closing share price (p)	5	441.0	458.0	(b)
Total dividend adjustment factor[1]		1.012563	1.011891	(c)
Adjusted closing share price (d = b x c)		446.5	463.4	(d)
Total return to shareholders (e = d / a - 1)		**-2.5%**	**24.6%**	**(e)**

[1] The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the last traded price quoted at the ex-dividend date.

Return on Net Assets with Debt at Par Value (APM)
Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Total return calculation	Page	Year ended 30th September 2019	Year ended 30th September 2018	
Opening NAV per share (p)	57	528.1	421.0	(a)
Closing NAV per share (p)	57	506.5	528.1	(b)
Total dividend adjustment factor[2]		1.011463	1.010691	(c)
Adjusted closing NAV per share (d = b x c)		512.3	533.7	(d)
Total return on net assets with debt at par value (e = d / a - 1)		**-3.0%**	**26.8%**	**(e)**

[2] The dividend adjustment factor is calculated on the assumption that dividends paid out by the Company are reinvested into the shares of the Company at the NAV at the ex-dividend date.

Return on Net Assets with Debt at Fair Value (APM)
The Company's debt (senior secured loan notes) is valued in the Statement of Financial Position (on page 58) at amortised cost, which is materially equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as 'Debt at Par Value'. The current replacement or market value of the debt, which assumes it is repaid and renegotiated under current market conditions, is often referred to as the 'Debt at Fair Value'. This fair value is explained in note 22(d) (on page 76) on the accounts. The difference between fair and par values of the debt is subtracted from the NAV to derive the NAV with debt at fair value.

The fair value of the ¥13 billion senior secured loan notes issued by the Company has been calculated using discounted cash flow techniques, using the yield from similar dated gilt plus a margin based on the five year average for the AA Barclays Yen Corporate Bond spread.

As at 30th September 2019, the NAV with debt at fair value was £803,067,000 (2018: £844,355,000) or 498.0p (2018: 523.6p) per share.

Benchmark total return
Total return on the benchmark, on a closing-market value to closing-market value basis, assuming that all dividends received were reinvested, without transaction costs, in the shares of the underlying companies at the time the shares were quoted ex-dividend.

The benchmark is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Gearing/(Net cash) (APM)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds.

If the amount calculated is negative, this is shown as a 'net cash' position.

Gearing calculation	Page	30th September 2019 £'000	30th September 2018 £'000	
Investments held at fair value through profit or loss	58	923,818	976,724	(a)
Net assets	58	816,670	851,540	(b)
Gearing / (net cash) (c = a / b - 1)		**13.1%**	**14.7%**	(c)

Ongoing Charges (APM)

The ongoing charges represent the Company's management fee and all other operating expenses excluding finance costs payable, expressed as a percentage of the average of the daily net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

Ongoing charges calculation	Page	30th September 2019 £'000	30th September 2018 £'000	
Management fee	57	4,401	4,527	
Other administrative expenses	57	672	690	
Total management fee and other administrative expenses		5,073	5,217	(a)
Average daily net assets		746,294	783,216	(b)
Ongoing charges (c = a / b)		**0.68%**	**0.67%**	(c)

Share Price Discount/Premium to Net Asset Value ('NAV') per Share (APM)

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV per share.

The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium (page 5).

J.P. Morgan investment trusts are eligible investments within a stocks & shares individual savings account (ISA) and Junior ISA. For the 2019/20 tax year, from 6th April 2019 and ending 5th April 2020, the annual ISA allowance is £20,000 and the Junior ISA annual allowance is £4,368.

You can invest in J.P. Morgan investment trusts through the following;

1. Via a third party provider

Third party providers include:

AJ Bell	Hargreaves Lansdown
Barclays Smart Investor	Interactive Investor
Charles Stanley Direct	Selftrade
FundsNetwork	The Share Centre

Please note this list is not exhaustive and the availability of the Company's shares may vary depending on the provider. These websites are third party sites and the Company does not endorse or recommend any. Please observe each site's privacy and cookie policies as well as their platform charges structure.

2. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at unbiased.co.uk

You may also buy J.P. Morgan investment trusts through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules, visit fca.org.uk

Information for J.P. Morgan investment account and stocks & shares ISA account holders

From 28th September 2019 J.P. Morgan Asset Management ceased offering investment accounts and stocks & shares ISA savings products. Investors were able to remain invested in J.P. Morgan managed investment trusts by transferring to another service provider. For full details of all the options available to investors, please refer to correspondence sent by J.P. Morgan on 8th April 2019 or contact your financial adviser.

The Board continues to encourage all of its shareholders to exercise their rights and notes that many specialist platforms, to include the default options offered by JPMorgan, provide shareholders with the ability to continue to receive Company documentation, to vote their shares and to attend general meetings, at no cost. Please refer to your investment platform for more details, or visit the AIC's website at www.theaic.co.uk/aic/shareholder-voting-consumer-platforms for information on which platforms support these services and how to utilise them.

FINANCIAL CALENDAR

Financial year end	30th September
Final results announced	December
Half year end	31st March
Half year results announced	May/June
Dividend on ordinary shares paid	January
Annual General Meeting	January

History

The Company was formed in 1927 as The Capital & National Trust Limited. It was a general investment trust until 1982, when its shareholders approved a change of name to The Fleming Japanese Investment Trust plc and the adoption of a policy of specialising in investment in Japan. The Company adopted its current name in December 2006. Constituent of the FTSE 250 Index.

Company Numbers

Company registration number: 223583
London Stock Exchange number: 0174002
ISIN: GB0001740025
Bloomberg code: JFJ LN

Market Information

The Company's unaudited net asset value ('NAV') is published daily via the London Stock Exchange.

The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman and on the Company's website at www.jpmjapanese.co.uk, where the share price is updated every 15 minutes during trading hours.

Website

www.jpmjapanese.co.uk

The Company's website can be found at www.jpmjapanese.co.uk and includes useful information about the Company, such as daily prices, factsheets and current and historic half year and annual reports.

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf.

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

60 Victoria Embankment
London EC4Y 0JP
Telephone: 020 7742 4000

For company secretarial and administrative matters, please contact Faith Pengelly at the above address.

aic
The Association of Investment Companies

A member of the AIC

Depositary

The Bank of New York Mellon (International) Limited
1 Canada Square
London E14 5AL

The Depositary has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

Registrars

Equiniti Limited
Reference 1090
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone number: 0371 384 2328

Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. Callers from overseas should dial +44 121 415 0225.

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1090. Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London SE1 2RT

Brokers

Investec Bank plc
30 Gresham Street
London EC2V 7QP

FCA Regulation of 'Non-Mainstream Pooled Investments'

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority ('FCA') in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

CONTACT
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Website www.jpmjapanese.co.uk

J.P.Morgan
Asset Management