JPMorgan Japan Smaller Companies Trust plc

Annual Report & Financial Statements for the year ended 31st March 2020

J.P.Morgan
Asset Management

Investment Objective

The Company's objective is to achieve long-term capital growth through investment in small-sized and medium-sized Japanese companies. Its benchmark is the S&P Japan SmallCap NR (in sterling terms).

Investment Policy

In order to achieve its investment objective and to seek to manage risk, the Company invests in a diversified portfolio of investments almost wholly invested in Japan, emphasising capital growth rather than income.

To obtain this exposure, investment is permitted in Japanese quoted companies other than the largest 200 measured by market capitalisation, Japanese domiciled unquoted companies, Japanese domiciled companies quoted on a non-Japanese stock exchange and non-Japanese domiciled companies which have at least 75% of their revenues derived from Japan. Investment is also permitted in UK and Japanese government bonds. Borrowings may be utilised to enhance shareholder returns.

Dividend Policy

With effect from 1st April 2018, the Company implemented a dividend policy under which the Company aims to pay, in the absence of unforeseen circumstances, a regular quarterly dividend equal to 1% of the Company's Net Asset Value ('NAV') on the last business day of the preceding financial quarter, being the end of March, June, September and December. Over the year this approximates to 4% of the average NAV. These dividends are paid from a combination of the revenue, capital and other reserves and will fluctuate in line with any rise or fall in the Company's net assets. The Company's investment objective and investment policy remained unchanged following the change in dividend policy.

Investment Restrictions and Guidelines

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

- The Company will not invest more than 5% of its assets in any one individual stock, at the time of its acquisition.
- The Company's current gearing policy is to operate within a gearing range of 5% net cash to 15% geared in normal market conditions with maximum levels of 10% net cash or 25% geared with the Board's agreement.
- The use of derivatives and currency hedging transactions are permitted with the prior approval of the Board. Such transactions, when used, will be for the purposes of efficient portfolio management and not for speculative purposes.
- Investment in Japanese domiciled unquoted companies is only permitted with the prior approval of the Board.

Compliance with investment restrictions and guidelines is monitored by JPMorgan Funds Limited ('JPMF' or the 'Manager') and is reported to the Board on a monthly basis. The benchmark index, as well as the limits and restrictions described above, may be varied by the Board at any time at its discretion, although any material changes to the investment policy must be approved by Shareholders in accordance with the Listing Rules.

Benchmark

S&P Japan SmallCap NR (in sterling terms). Comparison of the Company's performance is made with the benchmark as stated, although investors should note that there is no recognised benchmark that closely reflects the Company's stated investment policy.

Capital Structure

As at 31st March 2020, the Company's issued share capital comprised 55,944,560 Ordinary shares of 10p each, of which 1,434,221 were held in Treasury.

Currency

The Company does not currently hedge the currency exposure that arises from having assets and bank debt denominated in Japanese yen.

Management Company

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 (Japan) Limited through JPMorgan Asset Management (UK) Limited.

Association of Investment Companies ('AIC')

The Company is a member of the AIC and complies with both the AIC Code of Corporate Governance and the Financial Reporting Council's UK Corporate Governance Code.

Website

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

FCA Regulation of 'Non-Mainstream Pooled Investments' and 'Complex Instruments'

The Company conducts its affairs in a way which enables the shares that it issues to 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.

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

The Company's ordinary shares are not considered to be 'complex instruments' under the FCA's 'Appropriateness' rules and guidance in the Conduct of Business (COB) sourcebook.

> We look to identify good quality businesses with robust governance structures whose attributes may be overlooked/underpriced in the stock market.
>
> Eiji Saito, Portfolio Manager, JPMorgan Japan Smaller Companies Trust plc

Why invest in JPMorgan Japan Smaller Companies Trust plc?

Providing income without compromising on Japanese growth opportunities

JPMorgan Japan Smaller Companies Trust plc aims to provide access to the innovative and fast-growing smaller company stocks that are at the core of the Japanese economy by using a stock selection process based on extensive experience and local knowledge of the market.

- Managed by a local team that has both knowledge and long-standing experience of selecting undervalued, high quality smaller companies from across Japan.
- Invests in a changing Japan, with exposure to new products, technologies and markets which are often overlooked by UK investors.
- Provides access to innovative and fast growing smaller Japanese companies, which are the core of the Japanese economy.

Our heritage and our team

JPMorgan first opened its Tokyo office in 1969 and has over 50 years' experience in Japan in seeking out the most attractively valued Japanese sectors.

The team has been managing Japan equities mandates in Tokyo since 1969 and the current team has an average of 14 years' experience with the firm and 19 years' experience 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 inform 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.

50	29	4,000+	400
years' experience investing in the region	**investment professionals in Japan**	**Japanese company meetings each year**	**Approximate number of stocks covered**

CONTENTS

NOTE: THIS DOCUMENT 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 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in JPMorgan Japan Smaller Companies Trust plc, please forward this document, together with the accompanying documents, immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Strategic Report

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED) TO 31ST MARCH

	2020	2019	3 Year	5 Year
Return to shareholders[1,A]	-1.6%	-8.9%	+13.4%	+53.1%
Return on net assets[2,A]	-3.1%	-7.9%	+14.1%	+54.8%
Benchmark return[3]	-6.7%	-7.3%	-2.0%	+41.0%
Annual dividend	17.7p	18.0p		

[1] Source: Morningstar.
[2] Source: J.P. Morgan/Morningstar, using cum income net asset value per share.
[3] Source: Morningstar. The Company's benchmark is the S&P Japan SmallCap NR (in sterling terms).
[A] Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 77 and 78.

SUMMARY OF RESULTS

	2020	2019	% change
Total returns for the year ended 31st March			
Return to shareholders[1,A]	-1.6%	-8.9%	
Return on net assets[2,A]	-3.1%	-7.9%	
Benchmark return[3]	-6.7%	-7.3%	
Net asset value, share price and discount as at 31st March			
Net asset value per share[A]	401.8p	431.3p	-6.8
Share price	354.0p	376.0p	-5.9
Share price discount to net asset value per share[A]	11.9%	12.8%	
Shareholders' funds (£'000)	218,996	235,110	-6.9
Shares in issue, excluding shares held in Treasury	54,510,339	54,510,339	
Revenue for the year ended 31st March			
Gross revenue return (£'000)	3,836	4,007	-4.3
Net revenue return attributable to shareholders (£'000)	415	678	-38.8
Revenue return per share	0.76p	1.24p	-38.7
Dividend per share	17.7p	18.0p	-1.7
Gearing as at 31st March[A]	7.5%	7.9%	
Ongoing charges[A]	1.14%	1.10%	

[1] Source: Morningstar.

[2] Source: J.P. Morgan/Morningstar, using cum income net asset value per share.

[3] Source: Morningstar. The Company's benchmark is the S&P Japan SmallCap NR (in sterling terms).

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

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Alexa Henderson
Chairman

Dear Shareholders,

I am pleased to be writing my first report to you as Chairman, following the retirement of Robert White after our Annual General Meeting ('AGM') held in July last year.

Investment Performance

The Company's financial year was an uncertain time in which investment markets grappled with political and geopolitical factors and the global economy shifted firmly into reverse. The trade tariff disputes between the United States and China continued to unsettle investors but it was the outbreak of the coronavirus (COVID-19) that has dominated concerns since the news broke in early January of this year. The emergency measures put in place to contain this global health crisis and tackle its unparalleled economic impact have profound consequences for many countries, including Japan. It represents both a very significant public welfare concern and an unprecedented economic risk.

The impact of COVID-19 ripped through global economies and stock markets, with significant re-pricing of assets occurring during some wild trading days in late February and March. Shares in Japanese companies did not escape this turbulence and fell sharply during this volatile period, prompting the Bank of Japan to step in with a range of measures to stabilise markets.

For the year ended 31st March 2020, the Company delivered a negative return for investors: the total return on net assets was -3.1%, but nonetheless outperforming the S&P Japan SmallCap NR (benchmark) return of -6.7%. The total return to ordinary shareholders was -1.6%, reflecting a narrowing of the share price discount to net asset value (NAV) from 12.8% at the beginning of the financial year to 11.9% at 31st March 2020.

Whilst any decline in net assets is disappointing, it is of some consolation that the Company outperformed its benchmark and a broad range of its competitor funds over the period. And over longer time periods, performance continues to be strong, with both the NAV and share price having outperformed the benchmark over three, five and ten years.

This year's performance is explored in depth in the Investment Managers' Report, where the team explain the market backdrop for the year and discuss stock and sector stories that have most impacted the Company's performance. The Managers also consider the potential future impact of COVID-19 as part of their broader market outlook.

Dividend Policy and Discount Management

The Company introduced a new dividend policy in April 2018 and aims to pay dividends approximating 4% of the average NAV of the Company over each preceding financial year. These dividends are paid quarterly, from a combination of the revenue and capital reserves. In respect of the year to 31st March 2020, quarterly dividends totalling 17.7p per share were declared.

One of the objectives of the revised dividend policy was to enhance the Company's appeal to a broader audience of investors. Since its introduction, it has therefore been pleasing to note some narrowing of the Company's discount to NAV, driven by new demand and positive press commentary - although the recent weakness in global stock markets has widened discounts in many investment trusts, at least for now.

The Board will keep the dividend policy, as well as its impact on demand for the Company's shares and the discount level to NAV, under constant review. In monitoring the discount level, the Board may also use share buy-backs, when appropriate, to tighten the discount at which your Company's shares trade.

A Resolution to approve the Company's dividend policy will be put to shareholders at the forthcoming Annual General Meeting.

Change of Annual Management Fees

Your Board is focused on the costs of running the Company's specialist mandate. Following a review of the investment management fee arrangements with the Manager, JPMorgan, the Board was pleased to announce, in February 2020, a revision in the annual management fee structure. With effect from 1st April 2020, the investment management fee remains at the rate of 1% per annum on the NAV of the Company's portfolio up to £150 million but a reduced rate of 0.75% (previously 0.80%) per annum applies to any amount in excess thereof. In addition, the £200,000 per annum company secretarial fee, which was previously included separately in the management fee, is removed from the same date.

These changes will enhance shareholder returns and should stimulate new demand for the Company's shares, to the benefit of all investors. Based on the Company's average net assets over the course of 2019, the revisions to the fee structure would amount to an estimated reduction of 9.2% in its Ongoing Charges Figure.

Gearing

The Company seeks to enhance investment returns for shareholders by borrowing money to buy more assets ('gearing'). The Company's gearing is regularly discussed by the Board and the Investment Managers and the gearing level is reviewed by the Directors at each Board meeting.

During the year, the Company renewed its revolving credit facility of Yen 4.0 billion (introducing an option of further increasing the facility to Yen 6.0 billion) with Scotiabank, and extending its maturity date to October 2022. The loan renewal was secured on favourable and flexible terms, allowing the Company to repay the loan as and when required without any penalties.

The credit facility provides the Investment Managers with the ability to gear tactically within the set guidelines. The Company's investment policy permits gearing within a range of 10% net cash to 25% geared. However, the Board requires the Investment Managers, under normal market conditions, to operate in the range of 5% net cash to 15% geared. During the year, the Company's gearing level ranged between 6% and 12%, finishing the financial year at 7.5%.

The Board

As part of the Board's succession planning and as reported in the last Annual Report, Martin Shenfield and Tom Walker joined the Board immediately after the AGM in July last year. I assumed the role of Chairman of the Board and of the Nomination Committee upon the retirement of Robert White. Tom has replaced me as the Chairman of the Audit Committee.

Both Martin and Tom bring a diversity of experience and skills to the Board. Martin is a specialist in Asia Pacific macroeconomics with over 35 years' experience in the asset management industry. Tom is a chartered accountant, with extensive fund management experience covering Asia and other regions. The refreshed Board provides a comprehensive balance of experience and relevant skills and no further changes to its composition or size are anticipated in the next 12 months.

Outlook

These are challenging times and our thoughts and sympathies are with all those whose health, welfare and family situations have been impacted by COVID-19. At the time of writing, the main issues are how long the pandemic persists, how widely its impact spreads further globally and what would be its enduring impact. When our thoughts turn specifically to the economic and investment outlook, however, it is clear that short-term material impacts are inevitable. Despite improving trends in COVID-19 data and the encouraging recovery in many regional markets since the low point in late March, the calamity will drastically affect the global economy, corporate profitability and investor sentiment throughout 2020 and into 2021. For further insights, please refer to the detailed report on page 9.

Against this unprecedented backdrop, it is important to emphasise that your Manager and the Board share the view that the current problems will ease with time and that the Company's investments should not suffer a material, lasting impact. Whilst there may be short term periods when the Managers' approach does not outperform the benchmark, the Board is reassured by the team's track record and focus on identifying resilient businesses with leading market positions, strong balance sheets and strong cash generation. They do not buy companies where the short-term valuation looks low unless this is also accompanied by a strong long-term growth outlook.

We believe the Managers' approach should provide portfolio stability during this and any future times of uncertainty and put the Company in a position to deliver positive and sustained returns over the long term, as it has done in the past.

Annual General Meeting

We are holding the Company's Annual General Meeting at 60 Victoria Embankment, London EC4Y OJP on 28th July 2020 at 12.00 noon. *Please note that as a result of the COVID-19 pandemic and the imposition of compulsory Stay at Home measures by the UK Government, the AGM will be functional only and follow the minimum legal requirements for an AGM. There will be no investor presentation in person by the investment team and there will be no refreshments.* ***In line with the Stay at Home measures, Shareholders are strongly discouraged from attending the meeting and indeed entry may be refused if Government guidance so requires****. Arrangements will be made by the Company to ensure that the minimum number of Shareholders required to form a quorum will attend the meeting in order that the meeting may proceed and the business concluded.*

In light of the changed format, the Board strongly encourages all shareholders to exercise their votes in respect of the meeting in advance, by completing and returning their proxy forms. This will ensure that the votes are registered in the event that attendance at the AGM is not possible.

In addition, shareholders are encouraged to raise any questions in advance of the AGM via the 'Ask the Question' link found under the 'Contact Us' section on the Company's website (www.jpmjapansmallercompanies.co.uk). Any questions received will be replied to via the Company Secretary.

In the event that the situation changes the Company will update shareholders through an announcement to the London Stock Exchange and on the Company's website.

Alexa Henderson
Chairman

26th June 2020

Eiji Saito
Investment Manager

Naohiro Ozawa
Investment Manager

Michiko Sakai
Investment Manager

Setting the scene: market review

The year to 31st March 2020 was a testing period for Japanese equities, and smaller companies were no exception. Various macro headwinds challenged markets and depressed investor sentiment, not only in Japan but globally.

When we last updated investors, at the halfway stage of the Company's financial year, we commented that the Japanese stock market had endured a volatile six months, with investors unsettled by the increasingly sluggish global economy (as evidenced by downturns in both manufacturing output and corporate earnings). Concerns were exacerbated by the ongoing, and seemingly endless, trade wrangles between China and the United States.

The second half of the year provided some reasons for cautious optimism, as progress began to be made on the trade dispute front and central bank policy makers cut interest rates, in concerted attempts to stimulate economic growth. However, since the end of January, the spread of the coronavirus (COVID-19) has had a massive impact on all our lives and, consequently, on global economies and markets. This pandemic is not only a global public health crisis but has also ripped through the global economy, precipitating a collapse in business and consumer confidence.

Both Japanese and global equity markets fell sharply towards the end of the financial year, as lockdowns were imposed in Greater Tokyo and around the world, in response to the acceleration of COVID-19 cases. Simultaneously, the Japanese yen strengthened against the US dollar and the pound sterling. The crisis compelled the Bank of Japan to introduce a raft of emergency monetary stimulus measures, designed to ease business financing and support cash-strapped companies through the economic fall-out. The period ended with the manufacturing sector contracting significantly, as orders disappeared.

Performance

Against this extreme backdrop, shares in Japanese smaller companies fell by 15.3% over the last three months of the financial year to 31st March 2020. Since the year-end, they have recovered, rising 14.5% to 31st May 2020.

The Company outperformed its benchmark (the S&P Japan SmallCap NR) by a significant 3.6% margin but ended the period in negative territory. The Company's return on net assets over the period was -3.1% whilst the benchmark return was -6.7%. Since the year-end, the Company's net asset value has recovered, rising 25.0% to 31st May 2020.

The Company's performance is well ahead of its benchmark over 1, 3, 5 and 10 years.

PERFORMANCE ATTRIBUTION
YEAR ENDED 31ST MARCH 2020

	%	%
Contributions to total returns		
Benchmark return		-6.7
Sector allocation	0.9	
Stock selection	5.2	
Gearing/cash	-1.4	
Return relative to benchmark		4.7
Portfolio return		-2.0
Management fee/other expenses		-1.1
Return on net assets[A]		-3.1
Return to shareholders[A]		-1.6

Source: Factset, JPMAM, 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').

A glossary of terms and APMs is provided on pages 77 and 78.

Spotlight on stocks and sectors

Over the review period, both stock selection and sector allocation contributed towards the Company's relative performance, whilst the level of gearing had a negative impact. In this section we reflect on how various stock and sectoral decisions affected performance over the year.

Winners

Stocks that contributed most positively to performance included **Miura**, **Taiyo Yuden**, and **Tri Chemical Laboratories**. All three companies performed well on the back of their strong earnings growth, as well as specific factors highlighted below:

- **Miura** is Japan's leading boiler manufacturer, with environmentally friendly credentials and global expansion plans. Sustainability, and the need to reduce carbon dioxide emissions is a big topic across the global economy and Miura's 'on-demand steam solution' boilers are more environmentally friendly than traditional coal-fired boilers. Miura is one of our largest holdings and we believe it is well positioned to achieve long-term growth by selling its boiler technologies across China (where the boiler market is six times larger than Japan's and dominated by coal-fired products) and other emerging countries.
- **Taiyo Yuden** is the Company's largest holding and develops, manufactures, and sells multi-layer ceramic capacitors (MLCC) for the automotive industry. This is an industry that is in the midst of significant technological innovation related to electric vehicles, autonomous driving, and connected cars (vehicles that use mobile internet technology); all of which should create huge potential markets for niche Japanese manufacturers like Taiyo Yuden that provide high quality MLCC.
- **Tri Chemical Laboratories (TCL)** is a global market leader in the supply of high-purity, specialist chemicals for semiconductor manufacturing. It is renowned for its cutting-edge research and development. TCL's specialist analytic, research and design capabilities place it in a unique position to benefit from the fast pace of technological developments in the semiconductor industry.

Losers

Tosho, **Benefit One**, and **Mercari** were among stocks that contributed negatively to relative performance over the year, although we still hold all three. **Tosho**, one of Japan's leading sports gym operators in terms of operating margin and return on assets, declined as it was forced to close its gym network following the COVID-19 state of emergency declaration. Service company **Benefit One**, which manages fringe benefit programmes on behalf of employers was also negatively impacted, and e-commerce provider **Mercari** has underperformed for some time due to concerns over increasing losses on its US and payment businesses. We believe that each of these businesses possesses competitive advantages that will bolster its structural growth once the economy recovers from the current coronavirus shock.

Positioning the portfolio for future success

We look to identify good quality businesses with robust governance structures whose qualities may be overlooked/underpriced in the stock market. Over the review period, we maintained our focus on stocks that are supported by strong management teams and healthy cash flow. We avoided stocks that lack clear product differentiation and operate in industries plagued by excess supply. In our view, many stocks in the Financial Services and Real Estate sectors fall into this category.

The portfolio's largest overweight positions over the period were in the Information and Communication sector. We maintained our higher weighting, favouring those companies with high earnings growth potential. Three of our most significant new purchases are summarised below:

- **Sansan** is a software company that provides a cloud-based, multi-platform contact management tool for corporate customers in Japan and beyond. Its product offering is centred around digitised business cards, which can be simply scanned to build a database designed to enhance staff productivity in sales, marketing and client service activities.
- **MEC** is a technology-driven, market-leading business that develops, manufactures, and sells chemicals used in the production of printed circuit boards. In turn, these are vital components that drive a wide variety of electronic products, such as laptop and desktop computers, smartphones, cars and televisions. MEC's operations are expanding worldwide: it has established manufacturing bases in China, Taiwan, Thailand and Belgium, as well as distribution bases in the US and South Korea.

- **Capcom** develops and publishes video game software including bestsellers such as Street Fighter, Monster Hunter, and Resident Evil (Biohazard). We have had a constructive view on the game software industry for some time and, as well as buying Capcom, we added to our existing holding in **Square Enix**. The key point for us is that the game software business has become more robust, especially for those providers with strong intellectual property protection. This is because of the rising penetration of digital downloads which has increased from 6% of sales in 2012 to around 77% now. Digital downloads have higher per-unit profitability thanks to easier distribution and lower associated costs; those market leaders with many popular video game titles will likely benefit.

Amongst our most significant stock exits, we sold online elderly care provider **SMS**, IT business **Otsuka Corporation**, and **Chiba Bank**. In the cases of **SMS** and **Otsuka Corporation**, we considered that their potential future earnings growth prospects had already been priced into valuations. We sold **Chiba Bank** as we acknowledged that future improvements in corporate governance and shareholder returns would be slower in the prevailing low-interest rate environment.

Over the period, the Company's annualised turnover was 9.5%, with the overall shape of the portfolio changing little, whilst the gearing level was within the expected range of 6-12%.

About our investment philosophy and themes

The Company celebrated its 20th anniversary recently and our commitment to providing access to the innovative and fast-growing smaller companies universe at the core of the Japanese economy is undimmed. Our portfolio has a bias towards quality and growth and we aim to invest in companies (other than Japan's largest 200, measured by market capitalisation) which we believe can compound earnings growth over the long term, supported by sustainable competitive advantages and good management teams. We believe such companies' strong and durable market positioning will allow them to substantially increase their intrinsic value in the future. This also means that the portfolio tends to enjoy a high active share and differs significantly from the benchmark which provides a further source for additional return and hence the Company's outperformance.

Local knowledge

Our stock selection is based on fundamental analysis, local 'on-the-ground' knowledge and extensive company management contact. The Company is managed by a team of three led by Eiji Saito and supported by an overall Tokyo-based group of 29 investment professionals offering expertise and in-depth knowledge of local markets in what is a very under-researched and under-appreciated market. This local knowledge provides us with a significant strength in identifying investment opportunities, with a focus on businesses that reinvest to provide higher growth potential.

Smaller companies in Japan comprise a diverse sector with strong growth potential, serving both local and global market needs. Moreover an increasing number of constituent stocks within the sector have latterly adopted a greater focus on improving return on equity and also enhancing dividend yields.

Trends and themes

While our decisions are based on company-specific factors, there are also structural, long-term trends and themes that underlie much of our stock selection. These include:

- Changing demographics: Japan's population is ageing and declining. This trend is providing opportunities for innovative smaller companies that are working to improve quality of life for seniors. Also, businesses which focus on labour productivity improvement in the workplace are benefitting from the tight labour market.
- Technological innovation: many companies are embracing the productivity opportunities that technology offers. Despite Japan being an advanced industrial economy, certain areas such as financial services and payments lag other markets in terms of technological sophistication. Japanese manufacturing however is world class and the country is a leading supplier of factory automation equipment, robots, and electronics parts and materials. There are therefore attractive investment opportunities for companies that specialise in niche product/technology segments that drive global technology innovation.
- Improving corporate governance standards across Japanese companies: this has resulted in increasing numbers of independent, external directors serving on company boards, as well as improving governance policies overall, including shareholders returns, internal controls and disclosure. The market is likely to reward companies that improve their governance standards and we maintain a constructive dialogue with companies on this broad theme.

- Overseas growth: businesses operating beyond Japan's shores are in a very strong position to capture the benefits of the dynamic economic growth across Asia which is creating demand from new customers for high quality Japanese goods, services and brands.
- Government policy reforms that improve labour productivity: the record numbers of Japanese women in employment are testament to this. The stable political environment has also led to the adoption of policies to reform labour laws and corporate governance and to encourage inbound tourism.

Investing responsibly

An increasingly broad spectrum of investors now rightly focus not simply on return, risk and investment process issues but also on Environmental, Social and Governance ('ESG') considerations for their portfolios. They want to know that: their investment managers are aware of these concerns; they take them into account in building their portfolios; and they raise matters 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.

JPMorgan has long been a leader in using such an integrated approach and believes that this has particular relevance in Japan, where widespread shareholder engagement is a more recent phenomenon but where, equally, it is beginning to prove effective.

We believe that ESG factors, particularly those related to governance, can 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.

In our view, corporate governance considerations have the most direct bearing on the risk/reward profile of the Company's portfolio; as such it is the area most integrated into our investment process. However, environmental concerns are an ever-increasing part of the investment landscape in part due to the impact they can have on investment returns and cash flows; where relevant we make an assessment of environmental issues and include them in our decision-making process. Where social issues are relevant, again the focus is on the economic impact of the involvement.

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 focused on efficient capital use and structures we have engaged broadly on multiple topics that affect valuation and propriety. The introduction of the Stewardship and Corporate Governance Codes has led to greater willingness on the part of a number of companies to engage.

We use an active bottom-up process, with emphasis placed on direct contact with companies. ESG factors are systematically and explicitly considered during the investment decision-making process, with a risk profile analysis undertaken on the economics, duration (which includes sustainability) and governance of a company, to ensure that there is due focus on potential risks.

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:

Environmental - climate change

We are engaging with companies to request they enhance public disclosures on their climate change analysis and policies, such as a greenhouse gas reduction target, rather than just providing data on current energy and water usage. In future we expect to see enhanced disclosures such as scenario analysis following the TCFD (Task Force on Climate related Financial Disclosures) recommendations. Without such information, it is difficult to have an informed and constructive exchange on climate change with invested companies. We will continue to encourage investee companies to enhance their public disclosures.

Social - employee working practices

During an exchange with a retailer in the spring, the company acknowledged it was continuously examining how it could improve working practices for its employees. In recent years, extreme weather events had led to a re-examination of its business contingency plans, and now the COVID-19 outbreak meant there were further challenges facing the company. In addition to strengthening health and safety measures in its retail outlets, the company had examined ways in which activities might be conducted from home and noted they were finding more opportunities than initially expected. The company is looking to reflect this not only in measures employed during the coronavirus pandemic, but also in its future working practices for employees.

Governance – board structure

We engaged with a specialist building products company where we have previously cast votes against top management due to a lack of sufficient outsiders on the board, as we believe that having external and independent directors on the board is essential. The company acknowledged that this was an issue they were examining closely, and were considering bringing on new external members. In addition, the company agreed with our observations that it would be beneficial if the board could become more diverse, in terms of gender or nationality, or by introducing members with additional skillsets and experience. (Subsequently, we voted in favour of all directors at the June 2020 annual general meeting, as the company introduced a new female external board member, thus improving its overall board structure.)

Proxy 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 best financial interests of our clients. We voted at 86 annual general meetings of investee companies during the 12 month period to March 2020. During this period, we voted against 24.9% of management proposals. The highest percentage of our votes against management were cast on income allocation proposals, followed by director and statutory auditor elections (primarily due to independence concerns of the individual candidates or the lack of sufficient outsiders on the board overall) and the payment of retirement bonuses to external directors.

Outlook

COVID-19 and its aftermath have cast a huge shadow over Japan's economic outlook. The situation remains fluid, but its risks dominate our thinking at the present time. The pandemic has already delivered a massive shock to global equity markets, with Japan and most other global economies stunned into recession. No one knows how long it will last but we do know that the investment landscape has altered materially.

Pre-COVID-19 economic forecasts no longer have relevance. Japan's businesses are sensitive to economic cycles so a failure to achieve a positive outcome from here would undoubtedly pose a headwind. Both global and domestically focused companies could face big earnings declines and production and consumption are likely to be hit, with corporate earnings coming under pressure. Indeed, analysts have already been aggressively cutting earnings forecasts.

Whilst we acknowledge that investors will need to maintain a patient attitude during this unprecedented period, we believe that the problems will ease with time. We may see industry consolidation and productivity growth through trends such as diversifying production sources, adopting flexible working practices and better use of information technologies. As always, we believe it is important to focus on quality companies with structural growth potential.

It is important to highlight that valuations of Japanese companies remain reasonable, both lower than historical averages and below those of most other major markets. Japanese companies typically have significant cash on hand, and now have the strongest balance sheets among developed countries. The country remains focused on its long-term goals of achieving sustainable and broadly-based growth, driven by digitalisation, free trade and the Japanese government's major corporate governance and stewardship reforms.

In our view, the fundamental long-term outlook for Japanese smaller companies remains positive and we see no shortage of exciting investment opportunities. Not least as in Japan, in sharp contrast to other developed economies, it is the smaller more entrepreneurial companies which are at the forefront of the trend to digitalisation and broader IT innovation. The Company maintains its focus on investing in businesses with leading market positions, strong cash generation and solid balance sheets, across a diverse range of industries. We believe that by focusing on businesses with these attributes, the Company is well positioned to benefit from secular trends in Japan as well as weathering potential short-term changes in sentiment driven by the coronavirus pandemic, trade policies, or other economic roadblocks that could lie ahead. We remain confident that our approach will deliver positive and sustained returns over the long term.

Eiji Saito
Naohiro Ozawa
Michiko Sakai
Investment Managers

26th June 2020

TEN LARGEST INVESTMENTS

AS AT 31ST MARCH

Company	Sector	2020 Valuation £'000	2020 %[1]	2019 Valuation £'000	2019 %[1]
Taiyo Yuden	Electric Appliances	7,452	3.2	5,284	2.1
FP	Chemicals	6,950	2.9	5,900	2.3
Miura[2]	Machinery	6,739	2.9	4,143	1.6
Raito Kogyo	Construction	6,179	2.6	5,714	2.3
DTS	Information & Communication	5,600	2.4	5,656	2.2
MISUMI	Wholesale Trade	5,445	2.3	5,904	2.3
Nippon Prologis REIT[2]	Real Estate	5,236	2.2	2,870	1.1
Cosmos Pharmaceutical[2]	Retail Trade	4,890	2.1	3,380	1.3
Bengo4.com	Services	4,769	2.0	6,243	2.5
Nohmi Bosai[2]	Electric Appliances	4,752	2.0	3,995	1.6
Total[3]		**58,012**	**24.6**		

[1] Based on total investments of £235.4m (2019: £253.6m).
[2] Not included in the ten largest investments at 31st March 2019.
[3] At 31st March 2019, the value of the ten largest investments amounted to £58.6m representing 23.0% of total investments.

SECTOR ANALYSIS

	31st March 2020		31st March 2019	
	Portfolio %[1]	Benchmark %	Portfolio %[1]	Benchmark %
Information & Communication	18.3	7.4	17.2	6.9
Chemicals	14.5	7.4	12.4	7.4
Services	13.9	7.2	18.5	8.1
Machinery	11.1	6.3	6.9	6.8
Retail Trade	8.9	9.0	8.4	8.5
Electric Appliances	7.2	7.4	6.5	7.0
Construction	6.4	6.0	5.7	6.0
Precision Instruments	4.7	2.1	4.5	1.9
Real Estate	4.0	8.9	2.6	9.2
Metal Products	3.8	1.7	3.5	1.7
Wholesale Trade	2.3	6.6	2.3	7.0
Other Financing Business	1.7	0.9	1.6	1.0
Glass & Ceramics Products	0.9	1.4	1.5	1.4
Pharmaceutical	0.9	2.7	2.7	2.4
Rubber Products	0.7	0.6	0.5	0.7
Other Products	0.7	2.3	1.9	2.5
Banks	–	5.8	1.3	4.2
Foods	–	3.8	–	3.4
Transportation Equipment	–	2.3	–	2.6
Land Transportation	–	1.7	–	1.9
Textiles & Apparels	–	1.6	–	2.2
Nonferrous Metals	–	1.3	0.9	1.3
Pulp & Paper	–	1.0	–	0.9
Securities & Commodity Futures	–	0.9	1.1	1.2
Iron & Steel	–	0.9	–	0.9
Electric Power & Gas	–	0.9	–	0.6
Fishery, Agriculture & Forestry	–	0.7	–	0.9
Warehousing & Harbour Transportation	–	0.4	–	0.4
Oil & Coal	–	0.3	–	0.3
Marine Transportation	–	0.2	–	0.2
Mining	–	0.2	–	0.2
Insurance	–	0.1	–	0.1
Commerce & Industry	–	–	–	0.1
Financial Services	–	–	–	0.1
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £235.4m (2019: £253.6m).

LIST OF INVESTMENTS AT 31ST MARCH 2020

Company	Valuation £'000
INFORMATION & COMMUNICATION	
DTS	5,600
Square Enix	4,270
NET One Systems	4,158
Nihon Unisys	4,098
Digital Garage	4,059
Sansan	4,027
Capcom	3,755
Mercari	3,263
GMO Payment Gateway	2,892
Raksul	1,770
Money Forward	1,688
GMO internet	1,604
Uzabase	844
BASE	795
JTOWER	280
	43,103
CHEMICALS	
FP	6,950
Aica Kogyo	3,569
MEC	3,528
Mitsui Chemicals	3,237
Taiyo Nippon Sanso	3,073
Kansai Paint	2,812
Milbon	2,474
C Uyemura	2,073
Tri Chemical Laboratories	1,988
Sakai Chemical Industry	1,749
Nifco	1,344
Takara Bio	1,338
	34,135

Company	Valuation £'000
SERVICES	
Bengo4.com	4,769
Grace Technology	4,508
CyberAgent	4,369
Benefit One	4,308
Litalico	2,774
Infomart	2,767
Atrae	2,678
Riso Kyoiku	1,653
Tosho	1,652
Nihon M&A Center	1,194
Persol	1,173
Advantage Risk Management	831
	32,676
MACHINERY	
Miura	6,739
Disco	4,096
Nittoku	3,547
Teikoku Electric Manufacturing	3,041
Nissei ASB Machine	2,767
Harmonic Drive Systems	2,722
Tsukishima Kikai	2,671
Hirano Tecseed	593
	26,176
RETAIL TRADE	
Cosmos Pharmaceutical	4,890
Pan Pacific International	4,247
MonotaRO	3,401
Monogatari	2,422
Marui	2,412
San-A	2,384
Daikokutenbussan	1,278
	21,034

Company	Valuation £'000
ELECTRIC APPLIANCES	
Taiyo Yuden	7,452
Nohmi Bosai	4,752
Fujitsu General	2,983
Iriso Electronics	1,748
	16,935
CONSTRUCTION	
Raito Kogyo	6,179
Sumitomo Densetsu	3,916
Kumagai Gumi	2,619
Nishimatsu Construction	2,209
	14,923
PRECISION INSTRUMENTS	
Asahi Intecc	4,112
Shimadzu	3,171
Nakanishi	2,097
Topcon	1,710
	11,090
REAL ESTATE	
Nippon Prologis REIT	5,236
Star Mica	4,062
	9,298
METAL PRODUCTS	
SUMCO	3,522
Rinnai	2,846
Mimasu Semiconductor Industry	2,665
	9,033
WHOLESALE TRADE	
MISUMI	5,445
	5,445

Company	Valuation £'000
OTHER FINANCING BUSINESS	
Mitsubishi UFJ Lease & Finance	4,067
	4,067
GLASS & CERAMICS PRODUCTS	
Taiheiyo Cement	1,528
Nikkato	607
	2,135
PHARMACEUTICAL	
Tsumura	2,018
	2,018
RUBBER PRODUCTS	
Sagami Rubber Industries	1,673
	1,673
OTHER PRODUCTS	
Lintec	1,647
	1,647
TOTAL INVESTMENTS	**235,388**

The portfolio comprises 78 equity investments.

FIVE YEAR RECORD

At 31st March	2015	2016	2017	2018	2019	2020
Total assets less current liabilities (£m)	149.1	152.7	207.8	290.2	235.1	248.9
Undiluted net asset value per share (p)	285.7	325.5	377.9	483.1	431.3	401.8
Diluted net asset value per share (p)[1,2]	278.6	312.7	377.9	483.1	431.3	401.8
Share price (p)	250.0	269.5	337.5	427.0	376.0	354.0
Share price discount to diluted net asset value per share (%)[A]	10.3	13.8	10.7	11.6	12.8	11.9
Gearing (%)[A]	10.3	4.8	6.3	6.3	7.9	7.5

Year ended 31st March	2015	2016	2017	2018	2019	2020
Gross revenue return (£'000)	1,640	2,259	3,528	3,735	4,007	3,836
Revenue (loss)/return per share - diluted (p)	(0.95)	(0.29)	1.04	1.06	1.24	0.76
Ongoing charges (%)[A]	1.52	1.42	1.31	1.09	1.10	1.14

Rebased to 100 at 31st March 2015	2015	2016	2017	2018	2019	2020
Total return to shareholders[3,A]	100.0	107.8	135.0	170.8	155.6	153.1
Total return on net assets[4,A]	100.0	112.2	135.6	173.4	159.7	154.8
Benchmark total return[5]	100.0	106.9	143.9	162.9	151.1	141.0

[1] The Company's Subscription shares were all exercised on or before 30th November 2016. The calculation assumed any shares held in Treasury at the year end were reissued in accordance with the Board's policy on the reissuance of Treasury shares, where this has a dilutive effect.

[2] The figures for 2015 and 2016 relate to the new Subscription shares issued on 16th December 2014 which had a final exercise date of 30th November 2016.

[3] Source: Morningstar.

[4] Source: J.P. Morgan/Morningstar, using cum income net asset value per share.

[5] Source: Morningstar. The Company's benchmark is the S&P Japan SmallCap NR (in sterling terms).

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

A glossary of terms and APMs is provided on pages 77 and 78.

Business Review

The aim of the 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 objective and strategy of the Company, structure of the Company, its investment policies and risk management, investment restrictions and guidelines, performance, total return, revenue and dividends, key performance indicators, share capital, Board diversity, employees, social, community and human rights issues, principal and emerging risks and how the Company seeks to manage those risks, and finally its long term viability.

The Company's Purpose, Values, Strategy and Culture

The purpose of the Company is to provide an investment vehicle which meets the needs of investors, whether large institutions, professional advisers or individuals, who seek long term investment returns from Japanese smaller companies in an accessible, cost effective way. The Company, and its predecessor, has been investing in Japanese smaller companies since 1984 and has a premium listing on the London Stock Exchange. Its objective is to achieve long-term capital growth through investment in small-sized and medium-sized Japanese companies. It seeks to outperform its benchmark index, the S&P Japan SmallCap NR (in sterling terms), over the longer term and to manage risk by investing in a diversified portfolio of Japan-based companies, emphasising capital growth rather than income.

To achieve this, the Board of Directors is responsible for employing and overseeing an investment management company that has the appropriate capability, resources and controls in place to actively manage the Company's assets in order to meet its investment objective. The investment management company, J.P.Morgan Asset Management, employs an investment process with a strong focus on research that integrates environmental, social and governance issues and enables it to identify what it believes to be the most attractive stocks in the market.

To ensure that the Company's purpose, values, strategy and culture are aligned, the Board comprises independent, non-executive Directors from a diverse background who have a breadth of relevant skills and experience. They act with professional integrity and contribute in an open boardroom culture that both supports and challenges the investment management company and its other third party suppliers.

Investment Objective

JPMorgan Japan Smaller Companies Trust plc is an investment trust company that has a premium listing on the London Stock Exchange. Its objective is to achieve long-term capital growth for its shareholders through investments in a diversified portfolio of small and medium-sized Japanese companies.

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') which, in turn, delegates the active management of the Company's assets to JPMorgan Asset Management (Japan) Limited ('JPMAM Japan') through JPMorgan Asset Management (UK) Limited ('JPMAM UK').

Structure of the Company

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

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 on investments within the portfolio. 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 Company's Investment Policy and related guidelines and limits are described on the inside front cover.

Review of Performance

In the year ended 31st March 2020, the Company produced a total return on net assets of -1.6% and a total return to ordinary shareholders of -3.1%. These outcomes compare with the total return on the Company's benchmark index of -6.7%. As at 31st March 2020, the value of the Company's investment portfolio was £235.4 million. The Investment Managers' Report on pages 9 to 13 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross total loss for the year amounted to £2.9 million (2019: £17.4 million loss) and the net total loss after deducting the management fee, other administrative expenses, finance costs and taxation amounted to £6.3 million (2019: £20.8 million loss). The net revenue return for the year amounted to £0.4 million (2019: £0.7 million). The total dividend for the year was £9.6 million (2019: £9.8 million).

With effect from 1st April 2018, the Company has implemented a dividend policy under which the Company aims to pay, in the absence of unforeseen circumstances, a regular quarterly dividend equal to 1% of the Company's Net Asset Value ('NAV') on the last business day of the preceding financial quarter, being the end of March, June, September and December. Over the year this would approximate to 4% of the average NAV. These dividends are paid from a combination of the revenue and capital reserves. In respect of quarters to 30th June 2019, 30th September 2019, 31st December 2019 and 31st March 2020, dividends of 4.4p, 4.6p, 4.7p and 4.0p per share respectively were declared. A Resolution to approve the Company's dividend policy will be put to shareholders 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:

- **Absolute performance**

  The Company seeks to provide long-term capital growth through investment in small and medium-sized Japanese companies. Positive absolute returns are an essential prerequisite for achieving this objective.

- **Performance against the Company's peers and the benchmark index**

  The principal objective is to achieve capital growth. The Board monitors performance relative to both the benchmark and a broad range of competitor funds. The following chart details the Company's performance against its benchmark.

Performance Relative to Benchmark Index

FIGURES HAVE BEEN REBASED TO 100 AT 31ST MARCH 2015

Source: Morningstar (total return).

— JPMorgan Japan Smaller Companies - share price.

— JPMorgan Japan Smaller Companies - diluted cum income net asset value per share.

--- The benchmark is represented by the grey horizontal line.

Five Year Performance

FIGURES HAVE BEEN REBASED TO 100 AS AT 31ST MARCH 2015

Source: Morningstar/Datastream (total return).

— JPMorgan Japan Smaller Companies - share price.

— JPMorgan Japan Smaller Companies - diluted cum income net asset value per share.

--- Benchmark.

- **Share price discount to net asset value ('NAV') per share**

  The Board recognises that the possibility of a widening discount can be a key disadvantage of investment trusts which can, in turn, discourage investors.

  The Board therefore may use a share repurchase programme to seek to address imbalances in the supply of and demand for the Company's shares within the market and thereby aim to reduce the volatility and absolute level of discount.

Discount Performance

Source: Morningstar.

— JPMorgan Japan Smaller Companies - share price discount to diluted net asset value per share.

- **Performance attribution**

  The purpose of performance attribution analysis is to assess 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 asset allocation and stock selection. Details of the attribution analysis for the year ended 31st March 2020 are given in the Investment Managers' Report on page 9.

- **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 31st March 2020 were 1.14% (2019: 1.10%). 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.

Share Capital

The Company has the authority both to repurchase shares in the market for cancellation (or to be held in Treasury) at a discount to net asset value and to issue new shares, or reissue shares out of Treasury, for cash at a premium to net asset value.

Shares would not be reissued out of Treasury at a discount to net asset value without the prior authority of shareholders at a general meeting.

The Company did not repurchase any shares into Treasury during the year, nor has it repurchased any shares since the year end. The Company did not issue any shares during the year and has not done so since the year end.

Resolutions to renew the authorities to issue new shares, reissue shares from Treasury for cash and to repurchase shares for cancellation or to be held in Treasury will be put to shareholders at the forthcoming Annual General Meeting. The full text of these Resolutions is set out in the Notice of Meeting on pages 74 and 75.

Board Diversity

When recruiting a new Director, the Board takes into account the benefits of diversity, including gender during the appointment process. The Board remains committed to appointing the most appropriate individuals on merit. Diversity is important in bringing an appropriate range of skills and experience to the Board and the Board is diverse on the bases of race, gender and nationality. As at 31st March 2020, there were three male and two female Directors on the Board.

Employees, Social, Community and Human Rights Issues

The Company has a management contract with JPMF. 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 Board notes the global policy statements of JPMorgan Asset Management ('JPMAM') 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.

Greenhouse Gas Emissions

The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. *JPMAM UK 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 the MSA can be found on the following website: https://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.

Principal and Emerging Risks

The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, reputation, solvency or liquidity. The principal and emerging risks and how they are being managed or mitigated are summarised as follows:

- **Operational and Cyber Crime**

  Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the depositary's or custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by the Manager and its associates and the key elements designed to provide effective internal control are included within the Risk Management and Internal Control section of the Corporate Governance report on page 32.

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

- **Investment Underperformance and Strategy**

  An inappropriate investment strategy, for example asset allocation or the level of gearing, 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 through its investment restrictions and guidelines which are monitored and regularly 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, who attend all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.

- **Loss of Investment Team or Investment Manager**

  Loss of key staff by the Manager, such as the Investment Managers, could affect the performance of the Company. The Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team based approach.

- **Share Price Relative to Net Asset Value ('NAV') per Share**

  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. Throughout the year ended 31st March 2020, the Company's shares traded at a discount. The Board monitors the Company's discount level and, although the rating largely depends upon the relative attractiveness of the portfolio, the Board may seek to address imbalances in the supply and demand of the Company's shares through a programme of share issuance and buybacks.

- **Political and Regulatory**

  Changes in financial or tax legislation, including in Japan and the UK may adversely affect the Company either directly or because of restrictions or enforced changes on the operations of the Manager. JPMF makes recommendations to the Board on accounting, dividend and tax policies and the Board seeks external advice where appropriate.

  In addition, the Company is subject to political risks, such as the imposition of restrictions on the free movement of capital. The Company is therefore at risk from changes to the regulatory, legislative and taxation framework within which it operates, whether such changes were designed to affect it or not. The Board will continue to keep under review the impact of the UK's decision to leave the European Union. The negotiations between the UK and European Union are likely to introduce further currency volatility which may impact portfolio returns.

- **Financial**

  The financial risks faced by the Company include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk, credit risk and the failure of any counterparty. Further details are disclosed in note 22 on pages 64 to 69.

- **Climate Change**

  Climate change, which barely registered with investors a decade ago, has today become one of the most critical issues confronting asset managers and their investors. Investors can no longer ignore the impact that the world's changing climate will have on their portfolios, with the impact of climate change on returns now inevitable.

  The Board is overseeing the Manager to ensure the formal integration of ESG factors into its investment process over the course of the coming year. Financial returns for long-term diversified investors should not be jeopardised given the investment opportunities created by the world's transition to a low-carbon economy. The Board is also considering the threat posed by the direct impact of climate change on the operations of the Manager and other major service providers.

  As extreme weather events become more common, the resiliency, business continuity planning and the location strategies of our services providers will come under greater scrutiny.

- **Pandemic Risk**

  COVID-19 has developed rapidly to become a pandemic which has delivered a major shock to the global economy and become a principal risk. The Company is exposed to the risk of market volatility and falling equity markets brought about by the pandemic. The resilience of the operational services to the Company could be reduced as a result of the effects of the pandemic, representing a risk to the Company. The Board regularly reviews the mitigation measures which JPMorgan Asset Management and other key service providers have in place to maintain operational resilience and is satisfied that these are appropriate even in the current conditions. Relevant business continuity plans have been invoked at those service providers and the Board had been given updates. Working from home arrangements have been implemented where appropriate and government guidance is being followed. The Board does not anticipate a fall in the level of service.

  The pandemic has triggered a sharp fall in global stock markets and created uncertainty around future returns. Whilst the Board notes the fall in the Company's NAV per share and share price it also notes the Investment Managers' investment process is unaffected by the COVID-19 pandemic and they continue to focus on long-term company fundamentals and detailed analysis of current and future investments. At the time of writing it is uncertain as to whether there will be a second wave of the COVID-19 virus outbreak.

Long Term Viability

The UK Corporate Governance Code requires the Board to assess the prospects of the Company over a longer period than the 12 months required by the 'Going Concern' provision.

The Company's current position and prospects are set out in the Chairman's Report, the Investment Managers' Report and the Strategic Report. The principal and emerging risks are set out on pages 22 and 23.

Taking account of the Company's current position, the principal and emerging 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 three years. They have made that assessment by considering those principal and emerging risks, the Company's investment objective of achieving long term capital growth, its ability to liquidate the portfolio and meet its expenses and liabilities as they fall due, the investment capabilities of the Manager and the current outlook for the Japanese economy and equity market.

Having regard to the Company's objective, which is to achieve long-term capital growth for its shareholders, the Directors considered three years to be an appropriate time horizon to assess the Company's viability.

The Directors confirm that 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 three year period of assessment.

Divya Amin

By order of the Board
Divya Amin, for and on behalf of
JPMorgan Funds Limited
Secretary

26th June 2020

Alexa Henderson*‡ (Chairman of the Board of Directors)
A Director since 2016.
Last reappointed to the Board: 2019.
Alexa Henderson is a Non-Executive Director of Standard Life UK Smaller Companies Trust plc, BMO Real Estates Investments Ltd and Bravura Solutions Limited. She is a member of the Institute of Chartered Accountants of Scotland.
Shared directorships with other Directors: None.
Shareholding in Company: 5,110.

Martin Shenfield*‡
A Director since 2019.
Last reappointed to the Board: n/a.
Mr Shenfield has over 35 years' experience in the asset management industry which includes managing both institutional and retail funds and overseeing global asset allocation, as well as holding several senior management positions. He is currently managing director of strategy at TS Lombard as well as acting as a general adviser to various family offices and funds. Mr Shenfield has extensive experience of the Asia Pacific including Japanese capital markets. He is a specialist in Asia Pacific macroeconomics and is also well versed in the analysis of individual Japanese sectors and companies. Mr Shenfield holds an MA in Classics and History from Cambridge University. He was until September 2019, a Director of Martin Currie Asia Unconstrained Trust plc.
Shareholding in Company: 8,000.

Deborah Guthrie*‡
A Director since 2015.
Last reappointed to the Board: 2018.
Deborah Guthrie is an experienced Japanese equity research sales specialist with Pelham Smithers Associates. She began her career working in the Finance and Environment Branches of the Hong Kong Government. Between 1984 and 1995 she held senior Japanese equity sales roles for Hoare Govett and Smith New Court before joining Merrill Lynch as director, yen equity sales, a role she held from 1995 to 2011. Deborah is a Non-Executive Director of Aberdeen Standard Asia Focus PLC.
Shared directorships with other Directors: None.
Shareholding in Company: 14,610.

Yuuichiro Nakajima*‡
A Director since 2014.
Last reappointed to the Board: 2019.
Yuuichiro Nakajima is founder and Managing Director of Crimson Phoenix, a specialist cross-border M&A advisory firm, providing advice on Japan-related transactions and a range of corporate strategy initiatives from offices in Tokyo, London and Frankfurt. A former member of the Executive Board of the British Chamber of Commerce in Japan, and currently a Council Member of the Japanese Chamber of Commerce and Industry in the UK. Yuuichiro spent ten years with S.G. Warburg (later SBC Warburg) and four years with PricewaterhouseCoopers, amongst other firms.
Shared directorships with other Directors: None.
Shareholding in Company: 5,000.

Tom Walker*‡ (Chairman of the Audit Committee)
A Director since 2019.
Last reappointed to the Board: n/a.
Mr Walker was a portfolio manager at Martin Currie Investment Management Limited where latterly he headed up their Global Long Term Unconstrained equity team. Mr Walker qualified as a chartered accountant with Thomson McLintock, now KPMG, then moved into investment management with Edinburgh Fund Managers and subsequently worked in Hong Kong with Baring Asset Management before joining Martin Currie. Mr Walker holds an MA in Law from Cambridge University. He is a Non-Executive Director of EP Global Opportunities Trust plc and Lowland Investment Company PLC.
Shareholding in Company: 5,000.

*** Member of the Audit Committee.**

‡ Member of the Nomination Committee.

The Directors present their report and the audited financial statements for the year ended 31st March 2020.

Management of the Company

The Manager of and Company Secretary to the Company is JPMF. Active management of the Company's assets is delegated to JPMAM Japan through JPMAM UK. The Manager and Company Secretary are employed under a contract terminable 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 Manager is a wholly owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides accounting, banking, dealing and custodian services to the Company.

The current Management Agreement was entered into with effect from 1st July 2014 following the implementation of a number of changes required by the AIFMD, as set out below.

The Board 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 represents value for money for shareholders. No separate Management Engagement Committee has been established because all Directors are considered to be independent of the Manager and, given the nature of the Company's business, it is felt that all Directors should take part in the review process. The Board has thoroughly reviewed the performance of the Manager during the course of the year. The review covered the performance over the long term of the Manager, its management processes, consideration of the investment strategy, resources and risk controls and the quality of support that the Company received, including the marketing support provided. The evaluation was carried out in February 2020. As a result of that process, the Board confirms that it is satisfied that the continuing appointment of the Manager and the Company Secretary is in the interests of shareholders as a whole.

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 responsibility for the day to day management of the Company's portfolio to JPMAM. The Company has appointed The 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.

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 is available on the Company's website at www.jpmjapansmallercompanies.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.

JPMF's remuneration disclosures are set out on page 71.

Management Fee

Since 1st January 2017 the management fee was 1% per annum on the first £150 million of net assets and 0.80% per annum on any net assets in excess of this amount. If the Company invests in funds managed or advised by the Manager or any of its associated companies that charge an underlying fee, those investments are excluded from the calculation and therefore attract no additional fee.

With effect from 1st April 2020, the investment management fee will be charged at the rate of 1% per annum on the net asset value of the Company's portfolio up to £150 million and at the rate of 0.75% (previously 0.80%) per annum on any amount in excess thereof. Furthermore, it has been agreed that the £200,000 per annum company secretarial fee, which was previously included separately in the management fee, will be removed from the same date.

The fee will continue to be calculated and paid monthly.

Directors

The Directors of the Company who held office at the year end are detailed on page 25. Details of their beneficial shareholdings may be found in the Directors' Remuneration Report on page 38.

In accordance with corporate governance best practice, all Directors will retire at the Company's forthcoming Annual General Meeting and, being eligible, will offer themselves for appointment/reappointment by shareholders.

The Nomination Committee, having considered their qualifications, performance and contribution to the Board and its Committees, confirms that each Director standing for appointment/reappointment continues to be independent, effective and demonstrates commitment to the role. The Board recommends to shareholders that the Directors seeking appointment/reappointment be appointed/reappointed.

On 21st May 2019 following a thorough search exercise, the Board announced the appointment of Martin Shenfield and Tom Walker as Directors effective from 29th July 2019. Tom Walker assumed the role of Chairman of the Audit Committee upon joining the

Board. The Company engaged Cornforth Consulting, a recruitment specialist in board level search, as part of the recruitment process. Cornforth Consulting has no other connection to the Company or the Manager.

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. For those Directors who served during the year under review, these indemnities were in place throughout 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 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 Auditor is unaware, and

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

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

Independent Auditor

Grant Thornton UK LLP have expressed their willingness to continue in office as the Auditor to the Company and a resolution to reappoint Grant Thornton UK LLP and authorise the Directors to determine their remuneration for the ensuing year will be proposed at the Annual General Meeting.

Capital Structure and Voting Rights

Capital Structure

At 31st March 2020, the Company's share capital comprised 55,944,560 Ordinary shares of 10p each, of which 1,434,221 were held in Treasury. The Ordinary shares have a premium listing on the London Stock Exchange.

Voting Rights in the Company's Shares

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 Meeting on page 76.

Notifiable Interests in the Company's Voting Rights

As at 31st March 2020, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	% voting rights[1]
Lazard Asset Management	9,885,298	18.14
Wells Capital	6,896,836	12.65
City of London Investment Management	5,962,399	10.90
1607 Capital Partners	2,480,344	4.55

[1] At the time of announcement.

Since the year end, Lazard Asset Management has declared its updated notifiable interest of 9,678,875 (17.76%) voting rights and Wells Capital has declared its updated notifiable interest of 7,089,785 (13.01%) voting rights. No other changes have been notified.

Miscellaneous Information

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

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.

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 a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

Annual General Meeting

The notice convening the Annual General Meeting of the Company to be held on 28th July 2020 is given on pages 74 to 76. The full text of the Resolutions is set out in the notice of meeting. Among the Resolutions being proposed are the following:

(i) Dividend policy (Resolution 4)

Resolution 4, which is an ordinary resolution, relates to the approval of the Company's dividend policy which is as follows:

The Company aims to pay, in the absence of unforeseen circumstances, a regular quarterly dividend equal to 1% of the Company's NAV on the last business day of the preceding financial quarter, being the end of June, September, December and March. The Company has the flexibility, in accordance with its articles of association, to make distributions from capital.

(ii) Authority to allot new Ordinary shares and to disapply statutory pre-emption rights (Resolutions 11 and 12)

The Directors will seek renewal of the authority at the Annual General Meeting to issue new Ordinary shares for cash, or reissue Ordinary shares from Treasury, up to an aggregate nominal amount of £272,550, such amount being equivalent to approximately 5% of the present issued Ordinary 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 5% 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 of the Company in 2021 unless renewed at a prior general meeting.

Resolution 11 will enable the allotment of Ordinary 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 Ordinary shares, or reissue Ordinary shares from Treasury, to investors purchasing shares through the JPMorgan savings products and also to other investors when the Board considers it 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'), per Ordinary share, 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 gross assets, over a greater number of shares. The issue proceeds would be available for investment in line with the Company's investment policy. 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.

(iii) Authority to repurchase the Company's shares (Resolution 12)

The authority to repurchase up to 14.99% of the Company's issued Ordinary shares, granted by shareholders at the 2019 Annual General Meeting, will expire on 29th January 2021 unless renewed at the forthcoming Annual General Meeting. The Directors consider that the renewal of this authority is in the interests of shareholders as a whole, as the repurchase of Ordinary shares at a discount to the underlying NAV enhances the NAV of the remaining Ordinary shares.

Resolution 12 gives the Company authority to repurchase its own issued Ordinary 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 8,171,099 of the Company's issued Ordinary shares (excluding Treasury shares) as at the latest practicable date before the publication of this document or, if different, the number of Ordinary shares which is equal to approximately 14.99% of the Company's issued Ordinary 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 12 is passed at the Annual General Meeting, the Board may repurchase shares for cancellation or hold them in Treasury pursuant to the authority granted to it for possible reissue at a premium to NAV. Repurchases will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining Ordinary shares. This authority will expire on 27th January 2022, or when the whole of the relevant 14.99% has been acquired, whichever is the earlier. However it is the Board's intention to seek renewal of the authority at the 2021 Annual General Meeting.

Recommendation

The Board considers that the Resolutions to be proposed at the AGM 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, as at the date of this report, amounted in aggregate to 37,720 Ordinary shares with voting rights representing approximately 0.1% of the voting rights of the Company.

Corporate Governance Statement

Compliance

The Board is committed to high standards of corporate governance. It has considered the principles and provisions of the AIC Code of Corporate Governance published in 2019 (the 'AIC Code'), which addresses the principles and provisions set out in the UK Corporate Governance Code (the 'UK Code') published in 2018, as they apply to investment trust companies. It considers that reporting against the AIC Code, therefore, provides more appropriate information to the Company's shareholders. The Board confirms that the Company has complied with the principles and provisions of the AIC Code, in so far as they apply to the Company's business, throughout the year under review. As all of the Company's day-to-day management and administrative functions are outsourced to third parties, it has no executive directors, employees or internal operations and therefore has not reported in respect of the following:

- the role of the executive directors and senior management;
- executive directors' and senior management remuneration; and
- the workforce.

Copies of the UK Code and the AIC Code may be found on the respective organisations' websites: www.frc.org.uk and www.theaic.co.uk.

Directors' Duty to Promote the Success of the Company

Section 172 of the Companies Act 2006 requires that a Director must act in the way he/she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members (i.e. shareholders) as a whole and in doing so, have regard (amongst other matters) to: the likely consequences of any decision in the long term; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and, the need to act fairly as between members of the Company.

The Board ensures that it promotes the success of the Company by engaging an investment manager (the 'Manager'), and other specialist third party suppliers, with appropriate capability, performance records, resources and controls in place to deliver the services that the Company requires, with particular focus on investment performance. Their performance is monitored by the Board and its committees, who have oversight of the Company's operations. The principal supplier is the Manager, which is responsible for managing the Company's assets in order to achieve its stated investment objective. The Board maintains a good working relationship with the Manager, who also provides administrative support and promotes the Company through its investment trust sales and marketing teams. Whilst strong long term investment performance is essential, the Board recognises that to provide an investment vehicle that is sustainable over the long term, both it and the Manager must have regard to ethical and environmental issues that impact society. Hence environmental, social and governance considerations are integrated into the Manager's investment process and will continue to evolve.

The Board has sought to engage with and understand the views of the Company's shareholders and other key stakeholders as it regards an appreciation of their views as essential in being able to fulfil its duty.

The Directors confirm that they have considered their duty under Section 172 when making decisions during the financial year under review. In particular, they have sought to achieve three objectives in 2020: to continue the strong record of investment performance; to reduce the discount of the Company's share price to the net asset value; and, to broaden the shareholder base.

Key decisions and actions during the year which have required the Directors to have regard to applicable section 172 factors include:

- the change to the management fee arrangement with JPMF to put the Company in a competitive position relative to peers;
- the appointment of two additional directors so as to enable long term succession planning and an optimal balance of skill sets on the Board.
- the recommendation that shareholders vote in favour of the Company's dividend policy as set out in the Annual Report;
- the recommendation that shareholders vote in favour of the renewal of the allotment and buyback authorities in respect of the current year; and,
- the renewal of the Company's loan facility which is utilised in line with the Company's gearing policy.

To ensure continuing engagement with shareholders, a number of shareholder meetings have been held over the last year with brokers and the investment management team in attendance.

In addition, the Directors have continued to hold the Manager to account on investment performance and undertaken a robust review of the principal and emerging risks faced by the Company.

Role of the Board

A management agreement between the Company and JPMF 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 objectives 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, who 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 Alexa Henderson, comprises five non-executive Directors, all of whom, including the Chairman, are regarded by the Board as independent of the 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 25.

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 Chairman and may be contacted by shareholders if they have concerns that cannot be resolved through discussions with the Chairman.

Reappointment of Directors

The Directors of the Company and their brief biographical details are set out on page 25. The skills and experience that each Director brings to the Board, and hence why their contributions are important to the long term success of the Company, are summarised below. All of the Directors held office throughout the year under review and will stand for reappointment at the forthcoming AGM.

Resolution 5 is for the reappointment of Alexa Henderson, who joined the Board in April 2016. Alexa is a qualified chartered accountant. She is also on the board of BMO Real Estate Investments Ltd., Standard Life UK Smaller Cos. Trust Plc, Bravura Solutions Ltd. and James Walker (Leith) Ltd. Alexa was formerly a Managing Director of the WM company.

Resolution 6 is for the reappointment of Yuuichiro Nakajima, who joined the Board in April 2014. Yuuichiro has over 30 years of corporate finance experience and has, over the last 17 years, been managing a M&A and strategic advisory firm specialising in Japan-related cross-border transactions. Having spent nearly half of his working life in Japan and the other half in the UK, Yuuichiro is well-versed in Japanese and British business, finance and corporate governance practices.

Resolution 7 is for the reappointment of Deborah Guthrie, who joined the Board in April 2015. Deborah is an experienced Japanese equity research sales specialist with Pelham Smithers Associates based in London. She previously held senior Japanese equity sales roles at Hoare Govett and Smith New Court and at Merrill Lynch. Deborah is a director of another investment trust company.

Resolution 8 is for the appointment of Martin Shenfield, who joined the Board in July 2019. Martin has over 35 years' international fund management experience including overseeing global asset allocation and holding CIO roles. He has also in the past *inter alia* managed various Japanese equity funds and mandates. Previously he has established and launched several listed closed-end funds as well as acting as a non-executive director of investment companies.

Resolution 9 is for the appointment of Tom Walker, who joined the Board in July 2019. Tom is a qualified chartered accountant. He spent his executive career in asset management where he was an investment manager for over 30 years with responsibility for funds including a number of investment trusts. He is a non-executive director of two other investment trust companies.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be reappointed by shareholders. Thereafter, a Director's appointment is subject to the performance evaluation carried out each year and the approval of shareholders at each Annual General Meeting, in accordance with corporate governance best practice. 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 requirements of the UK Corporate Governance Code and the AIC Code, including the need to refresh the Board and its Committees periodically. The tenure of each independent, non-executive director, including the Chairman, is not ordinarily expected to exceed nine years.

In accordance with corporate governance best practice, all Directors will seek annual reappointment. The Board recommends to Shareholders that all Directors be appointed/reappointed. The Company has a succession policy and plan in place.

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 the 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 the Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of training needs are carried out by the Nomination Committee by means of the evaluation process described below.

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. All Directors are members of the Committees.

The table below details the number of formal Board and Committee meetings attended by each Director. During the year there were five Board meetings, which included a private session of the Directors to evaluate the Manager and an overseas visit to the offices of JPMAM Japan in Tokyo to discuss strategy, two Audit Committee meetings and one Nomination Committee meeting. These meetings were supplemented by additional meetings held to cover procedural matters and formal approvals. In addition, there was a Board strategy meeting and regular contact between the Directors, the Manager and the Company Secretary throughout the year.

Meetings Attended

Director	Board	Audit Committee	Nomination Committee
Current Directors			
Alexa Henderson	5/5	2/2	1/1
Deborah Guthrie	5/5	2/2	1/1
Yuuichiro Nakajima	5/5	2/2	1/1
Thomas Walker[1]	2/5	1/2	1/1
Martin Shenfield[1]	2/5	1/2	1/1

[1] Joined 29th July 2019.

Board Committees

Nomination Committee

The Nomination Committee, chaired by Alexa Henderson, comprises all of the Directors, and 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. A variety of sources, including external search consultants, may be used to ensure that a wide range of candidates is considered. In relation to the appointment of Martin Shenfield and Tom Walker an external recruitment consultant, Cornforth Consulting, was engaged by the Company and the recruitment process was overseen by the Chairman. Cornforth Consulting has no other connections to the Company or the Manager.

The appointment process takes account of the benefits of diversity, including gender.

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. Therefore, no targets have been set against which to report.

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, prepared by a firm of independent consultants, are completed by each Director. The responses are collated and then 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 the remuneration policy. This review forms only a minimal part of discussions and therefore it is felt to be appropriate for Alexa Henderson to act as the Chairman of the Committee.

Audit Committee

The report of the Audit Committee is set out on pages 34 and 35.

Terms of Reference

The Nomination Committee and the Audit 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 Ordinary shares and the Company's level of gearing.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager and Secretary are available to meet shareholders and answer their questions. In addition, a presentation is given by the Investment Managers who review 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 and consult major shareholders on an annual basis. The Directors may be contacted through the Company Secretary whose details are shown on page 81.

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 do so via the Company's website or write to the Company Secretary at the address shown on page 81.

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

Risk Management and Internal Control

The UK Corporate Governance Code requires the Directors to monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report. 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 controls 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 controls 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 and Emerging Risks on pages 22 and 23). 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 Manager's 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 Manager's investment trust business are reported to the Board.

The principal elements designed to provide effective internal controls 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 and depositary regulated by the FCA, whose responsibilities are clearly defined in a written agreement.

- **Management Systems**

  The Manager's system of risk management and internal controls 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, keeps under review the effectiveness of the Company's system of risk management and internal controls 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 controls and the operations of its Custodian, JPMorgan Chase, which is itself independently reviewed;
  - reviews every six months an independent report on the risk management and internal controls and the operations of the Manager; and
  - reviews quarterly reports from the Company's depositary.

By 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 controls for the year ended 31st March 2020 and to the date of approval of this Annual Report and Financial Statements.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to the Manager. The following is a summary of the policy statements of JPMAM UK on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on social and environmental issues are included in the Strategic Report on page 21.

Corporate Governance
JPMAM UK believes that corporate governance is integral to our investment process. As part of our commitment to delivering superior investment performance to our clients, we expect and encourage the companies in which we invest to demonstrate the highest standards of corporate governance and best business practice. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. These analyses then form the basis of our proxy voting and engagement activity.

Proxy Voting
JPMAM UK manages the voting rights of the shares entrusted to it as it would manage any other asset. It is the policy of JPMAM UK to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable, we will vote at all of the meetings called by companies in which we are invested.

Stewardship/Engagement
JPMAM UK recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, we support the introduction of the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

- *publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;*
- *disclose their policy on managing conflicts of interest;*
- *monitor their investee companies;*
- *establish clear guidelines on how they escalate engagement;*
- *be willing to act collectively with other investors where appropriate;*
- *have a clear policy on proxy voting and disclose their voting record; and*
- *report to clients.*

JPMAM UK endorses the Stewardship Code for its UK investments and supports the principles as best practice elsewhere. We believe that regular contact with the companies in which we invest is central to our investment process and we also recognise the importance of being an 'active' owner on behalf of our clients.

JPMAM UK's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM UK's website, http://www.jpmorganinvestmenttrusts.co.uk/governance, which also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.

Japanese Stewardship and Corporate Governance Codes

The Japanese Stewardship Code was introduced in February 2014. Asset owners and institutional investors are expected to engage in constructive dialogue with investee companies to enhance corporate value.

JPMAM Japan has adopted the Japan Stewardship Code. Engagement with companies is a key part of JPMAM Japan's process and regular, systematic and direct contact with senior company management, both executive and non-executive is regarded as crucially important.

A Corporate Governance Code was introduced in June 2015. Reforms to the Japanese Companies Act are also expected. The Japanese Government's focus on corporate governance is part of its efforts to revitalise the Japanese economy and improve corporate profitability.

Divya Amin

By order of the Board
Divya Amin, for and on behalf of
JPMorgan Funds Limited,
Secretary

26th June 2020

Audit Committee Report

The Audit Committee, chaired by Tom Walker, comprises all Directors and meets at least twice each year. The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. At least one member of the Committee has recent and relevant financial experience and that the committee as a whole has competency relevant to the sector in which the Company operates. The Board has taken the decision that Alexa Henderson should be a member of the Committee because she is independent.

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.

Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st March 2020, the Committee considered the following significant issues, including those communicated by the Auditor during its reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	In accordance with the accounting policies, disclosed in note 1(b) to the financial statements on page 54. Controls were in place to ensure that valuations were appropriate and existence was verified through the Depositary and the Custodian reconciliations.
Recognition and completeness of investment income	The recognition of investment income was undertaken in accordance with accounting policy note 1(d) to the financial statements on page 54. The Board regularly reviewed subjective elements of income such as special dividends and agreed their accounting treatment.
Compliance with Sections 1158 and 1159 of the 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 April 2012 was obtained and ongoing compliance with the eligibility criteria was monitored on a regular basis.

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

Going Concern

The Directors believe that, having considered the Company's investment objective (see inside front cover), risk management policies (see pages 64 to 69), liquidity risk, capital management policies and procedures (see page 69), the nature of the portfolio and expenditure and cashflow projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the 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.

Having taken all available information into consideration and having discussed the contents of the Annual Report and Financial Statements with the AIFM, the Investment Managers, the Company Secretary and other third party service providers, the Committee has concluded that the Annual Report for the year ended 31st March 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 40.

Risk Management and Internal control

The Committee examines the effectiveness of the Company's internal controls systems and receives information from the Managers' Compliance department. The Directors' statement on the Company's system of risk management and internal controls is set out on page 32.

The Committee also 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 Auditor. In the Directors' opinion the Auditor is independent.

The Directors' statement on the Company's system of internal control is set out on page 32.

Auditor Appointment and Tenure

The Committee also has a primary responsibility for making recommendations to the Board on the reappointment and removal of the external Auditor. Representatives of the Company's Auditor attend the 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 Auditor, including assessing the quality of work, timing of communications and work with the Manager, the Committee considered it appropriate to recommend the Auditor's reappointment. The Board supported this recommendation and a resolution proposing its reappointment will be put to shareholders at the forthcoming Annual General Meeting.

As part of its review of the continuing appointment of the Auditor, the 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 2014, as a result of which Grant Thornton UK LLP was appointed. Julian Bartlett served as the Audit Partner responsible for the Company's Audit in 2015 and 2016. Marcus Swales replaced Julian Bartlett as Audit Partner in late 2016. The Company's year ended 31st March 2020 is therefore Marcus' fourth of a five year maximum term. On reaching the ten year mark in 2024, the Company will be required to hold a tender where the incumbent auditor may be reappointed for a further ten year term. At the end of a second ten year term (i.e. when an auditor has been in place for 20 years) a tender must be held again and a new auditor appointed. Details of the fees paid for audit services are included in note 6 on page 57.

The Committee has adopted a policy on non-audit services from the Auditor, reviews and approves any non-audit services provided by the independent Auditor and assesses the impact of any non audit work on the ability of the Auditor to remain independent. No such work was undertaken during the year.

Fair, Balanced and Understandable

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31st March 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 40.

Divya Amin

By order of the Board
Divya Amin, for and on behalf of
JPMorgan Funds Limited, Secretary.

26th June 2020

The Board presents the Directors' Remuneration Report for the year ended 31st March 2020, 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 Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in its report on pages 42 to 49.

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination 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, the Board has decided 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 commitments and responsibilities 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, 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' fees were paid at the following annual rates: Chairman £37,500; Chairman of the Audit Committee £30,000; and other Directors £25,000. With effect from 1st April 2020, Directors' annual fees remain unchanged.

The Company's Articles of Association provide that any increase in the maximum aggregate annual limit on Directors' fees, currently £200,000, requires both Board and shareholder approvals.

The Company has not sought shareholder views on its remuneration policy. The Nomination 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 30.

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 compared with the year ended 31st March 2019 and no changes are proposed for the year ending 31st March 2021.

At the Annual General Meeting held on 29th July 2019, of votes cast in respect of the Remuneration Policy, 99.95% of votes cast were in favour (or granted discretion to the Chairman who voted in favour) and 0.05% voted against. Abstentions were received from less than 0.01% of the votes cast. In respect of the Remuneration Report 99.96% of votes cast were in favour (or granted discretion to the Chairman who voted in favour) and 0.04% voted against. Abstentions were received from less than 0.01% of the votes cast.

Details of the implementation of the Company's remuneration policy are given below.

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]

	2020			2019		
		Taxable			Taxable	
	Fees	expenses[2]	Total	Fees	expenses[2]	Total
Directors' Name	£	£	£	£	£	£
Alan Clifton[3]	–	–	–	12,000	684	12,684
Deborah Guthrie	25,000	–	25,000	24,000	–	24,000
Alexa Henderson[4]	35,088	1,819	36,907	28,000	983	28,983
Yuuichiro Nakajima	25,000	161	25,161	24,000	171	24,171
Martin Shenfield[5]	16,870	–	16,870	–	–	–
Thomas Walker[6]	20,245	1,013	21,258	–	–	–
Robert White[7]	12,330	182	12,512	32,000	957	32,957
Total	134,534	3,175	137,708	120,000	2,795	122,795

[1] Audited information. Other subject headings for the single figure table as prescribed by regulation are not included because there is nothing to disclose in relation thereto. A total amount of £11,255 (2019: £8,890) was paid on National Insurance.

[2] Directors' remuneration comprises an annual fee only. Directors are also reimbursed for reasonable out of pocket expenses incurred in attending the Company's business.

[3] Retired 31st July 2018.

[4] Appointed Chairman 29th July 2019.

[5] Appointed 29th July 2019.

[6] Appointed 29th July 2019 and assumed role of Audit Committee Chairman.

[7] Appointed Chairman 31st July 2018. Retired 29th July 2019.

A table showing the total remuneration for the Chairman over the five years ended 31st March 2020 is below:

Remuneration for the Chairman over the Five Years Ended 31st March 2020

Year ended 31st March	Fees
2020	£37,500
2019	£36,000
2018	£35,000
2017	£32,000
2016	£30,000

Directors' Shareholdings[1]

There are no requirements in 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	31st March 2020	31st March 2019 or as at date of appointment
Ordinary shares held		
Deborah Guthrie	14,610	14,610
Alexa Henderson	5,110	4,851
Yuuichiro Nakajima	5,000	5,000
Thomas Walker	5,000	–
Martin Shenfield	8,000	–
Robert White[2]	–	35,200

[1] Audited information.

[2] Retired 29th July 2019.

There have been no other changes to the Directors' shareholdings since the year end.

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 S&P Japan SmallCap (in sterling terms), over the last ten years is shown below. Because this Index is the adopted benchmark for the Company, it is deemed by the Board to be the most representative comparator. Although the Investment Managers do not track this Index, and there is no formal benchmark that closely reflects the Company's stated investment policy, this is the nearest match available.

Ten Year Ordinary Share Price and Benchmark Total Return to 31st March 2020 (rebased)

Source: Morningstar/Datastream.
— Share price.
— Benchmark.

The table below is provided to enable shareholders to assess the relative importance of expenditure on Directors' remuneration. It compares the remuneration with distributions to shareholders by way of dividends and share repurchases.

Expenditure by the Company on Remuneration and Distributions to Shareholders

	Year ended 31st March 2020	2019
Remuneration paid to all Directors	134,534	120,000
Taxable expenses paid to Directors	3,175	2,795
Distribution to shareholders		
– by way of dividend	9,811,000	7,468,000
– by way of share repurchases	–	3,000

For and on behalf of the Board
Deborah Guthrie
Director

26th June 2020

Statement of Directors' Responsibilities

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements 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). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Each of the Directors, whose names and functions are listed in Directors' Report confirm that, to the best of their knowledge:

- the Company's financial statements, which have been 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), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of the Board
Deborah Guthrie
Director

26th June 2020

Independent Auditor's Report

Independent auditor's report to the members of JPMorgan Japan Smaller Companies Trust plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of JPMorgan Japan Smaller Companies Trust plc for the year ended 31st March 2020, which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the company financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as COVID-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

COVID-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern, principal risks and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 22 and 23 that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated (including the impact of COVID-19 and Brexit);

- the directors' confirmation, set out on page 22 of the annual report that they have completed a robust assessment of the principal and emerging risks facing the Company (including the impact of COVID-19 and Brexit), including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 34 of 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 to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the directors' statements relating to going concern and the prospects of the Company required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 23 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.

Overview of our audit approach

- Overall materiality: £2,189,957 which represents 1% of the Company's net assets;
- Key audit matters were identified as: valuation and existence of investments; occurrence, accuracy and completeness of investment income; and going concern in relation to COVID-19.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included those that 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 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.

Key Audit Matter	How the matter was addressed in the audit
Risk 1: Valuation and existence of investments The Company's business objective is investing in Japanese smaller companies to achieve capital growth. The investment portfolio at £235 million is a significant material balance in the statement of financial position at year-end and the main driver of the Company's performance. Investments might not be properly valued or might not exist or be owned by the Company. We therefore identified valuation and existence of investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing whether the Company's accounting policy for the valuation of investments is in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trust' (the 'SORP') and testing whether management have accounted for valuation in accordance with that policy; • Updating our understanding of the system of control applied, assessing the design effective of controls so that we gain comfort that investments are properly valued and exist; • Testing the existence of investments by agreeing 100% of the holdings listed in the portfolio at year end to an independent confirmation we received directly from the Company's custodian; • Independently checking the pricing of 100% of the listed equity portfolio by obtaining the bid prices from the independent market sources and calculating the total valuation based on the Company's investment holdings which was agreed to the Company's records; and • Extracting a report of trading volumes in the five trading days before and after year end from an independent market source for all the equity investments held at year end to test that investments are actively traded. The Company's accounting policy on valuation of investments is shown in note 1(b) and related disclosures are included in note 11. The Audit Committee identified valuation, existence and ownership of investments as a significant issue in its report on page 34, where the Committee has also described the action that it has taken to address this issue. **Key observations** Our audit work did not identify any material misstatements concerning the valuation and existence of investments.

Key Audit Matter	How the matter was addressed in the audit
Risk 2: Occurrence, accuracy and completeness of investment income Investment income is the Company's major source of revenue and a significant material balance in the Statement of Comprehensive Income. Investment income might be incomplete or inaccurate. Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have maintained the presumed risk of revenue recognition due to fraud. We therefore identified accuracy occurrence and completeness of investment income as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing whether the Company's accounting policy for revenue recognition is in accordance with United Kingdom Generally Accepted Accounting Practice and the SORP; • Obtaining an understanding of the Company's process for recognising revenue in accordance with the Company's stated accounting policy; • Selecting a sample of quoted investments and agreeing the relevant investment income receivable for those quoted equities to the Company's records. For the selected investments, we also obtained the respective dividend rate entitlements from independent sources and checked against the amounts recorded in the Company's accounting records maintained by the administrator. In addition, we agreed the receipt of the dividend income to bank statements; • Performing, on a sample basis, a search for special dividends on the equity investments held during the year to check whether dividend income attributable to those investments has been properly recognised. We checked the categorisation of special dividends as either revenue or capital receipts; and • Testing that income recorded occurred by selecting a sample of dividend income recorded in the income ledger and agreeing the relevant income receivable for those quoted equities to the respective dividend rate entitlements from independent sources and agreeing the investments held to Company's accounting records maintained by the administrator. In addition, we agreed the receipt of the dividend income recorded to bank statements. The Company's accounting policy on income is shown in note 1(d) and related disclosures are included in note 4. The Audit Committee identified *recognition and completeness of investment income* as a *significant issue* in its report on page 34, where the Committee also described the action that it has taken to address this issue. **Key observations** Our audit work did not identify any material misstatements concerning the occurrence, accuracy and completeness of investment income.

Risk 3: Going concern in relation to COVID-19
The directors are required to prepare the financial statements on a going concern basis unless they intend to liquidate the Company or have no realistic alternative but to do so. The directors are required to consider the ability of the Company to meet its financial obligations as they fall due for a period of at least 12 months from the date of the approval of the financial statements.

Furthermore, the outbreak of COVID-19 and the resulting economic and financial markets impact could have a significant adverse impact on the performance of the Company. This could potentially lead to improper application of the going concern assumption. As stated in 'the impact of macro-economic uncertainties on our audit' section of our report, COVID-19 is one of the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty.

We therefore identified going concern assumption as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our work in relation to the Board's going concern assessment included but was not restricted to:

- Ascertaining that the directors' going concern assessment covers at least a period of 12 months from the date of approval of the financial statements;
- Holding discussions with the Board of Directors to determine whether, in their opinion, there is any material uncertainty regarding the Company's ability to pay liabilities as they arise;
- Assessing and challenging the board on the resulting impact of COVID-19 on the Company's financial position including sensitising low and stress case scenarios to gain assurance over the Company's ability to meet on-going financial liabilities;
- Assessing the Company's revenue and expense projections; and
- Assessing the adequacy of the going concern disclosures included within the financial statements.

The Company's accounting policy on going concern is shown in note 1(a) and related disclosures are included in the Audit Committee Report.

Key observations
Our audit work did not identify any significant issues that the going concern assumption is incorrectly applied.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing, and extent of our work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be £2,189,957 which is 1% of the Company's net assets. This benchmark is considered the most appropriate because net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance.

Materiality for the current year is lower than the level that we determined for the year ended 31st March 2019 to reflect the decrease in the Company's net assets in the current year.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality

We also determine a lower level of specific materiality for certain areas such as fees and directors' remuneration.

We determined the threshold at which we will communicate misstatements to the audit committee to be £115,066. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Company's business, its environment and risk profile. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third party service providers. Therefore our audit work was focused on:

- Obtaining an understanding of, and evaluating, relevant internal controls at both the Company and third-party service providers. This included an evaluation of the internal control reports prepared by a third-party auditor detailing the description, design effectiveness of internal controls implemented by the administrator, and at other relevant third-party service providers.
- Performing substantive testing by obtaining direct confirmations on existence and valuation of the investments; and agreeing the investment income to an independent source and bank for occurrence, accuracy and completeness.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and sector in which it operates. We determined that the following laws and regulations were most significant: FRS 102, Companies Act 2006, UK Corporate *governance code, taxation laws, and AIC SORP*
- We understood how the company is complying with those legal and regulatory frameworks by, making inquiries to the management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee. We identified whether there is culture of honesty and ethical behaviour and whether there is a strong emphasis of prevention and deterrence of fraud
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
  - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
  - assessing matters reported through the group's whistleblowing programme and the results of management's investigation of such matters;
  - *identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and*
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine 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 in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 35 - the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 34 and 35 - the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 28 - the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Audit Committee in 2015. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is six years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit. Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Marcus Swales

Marcus Swales
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

26th June 2020

FOR THE YEAR ENDED 31ST MARCH 2020

			2020			2019	
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments held at fair value through profit or loss	3	–	(4,853)	(4,853)	–	(20,917)	(20,917)
Net foreign currency losses		–	(1,865)	(1,865)	–	(530)	(530)
Income from investments	4	3,836	–	3,836	4,007	–	4,007
Gross return/(loss)		**3,836**	**(6,718)**	**(2,882)**	**4,007**	**(21,447)**	**(17,440)**
Management fee	5	(2,257)	–	(2,257)	(2,294)	–	(2,294)
Other administrative expenses	6	(525)	–	(525)	(426)	–	(426)
Net return/(loss) before finance costs and taxation		**1,054**	**(6,718)**	**(5,664)**	**1,287**	**(21,447)**	**(20,160)**
Finance costs	7	(246)	–	(246)	(220)	–	(220)
Net return/(loss) before taxation		**808**	**(6,718)**	**(5,910)**	**1,067**	**(21,447)**	**(20,380)**
Taxation	8	(393)	–	(393)	(389)	–	(389)
Net return/(loss) after taxation		**415**	**(6,718)**	**(6,303)**	**678**	**(21,447)**	**(20,769)**
Return/(loss) per share	9	**0.76p**	**(12.32)p**	**(11.56)p**	**1.24p**	**(39.35)p**	**(38.11)p**

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/(loss) for the year and also Total Comprehensive Income.

The notes on pages 54 to 69 form an integral part of these financial statements.

Statement of Changes in Equity

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve[1,2] £'000	Capital reserves[2] £'000	Revenue reserve[2] £'000	Total £'000
At 31st March 2018	5,595	33,978	1,836	311,237	(77,039)	(12,257)	263,350
Share transaction expense[3]	–	–	–	(3)	–	–	(3)
Net (loss)/return	–	–	–	–	(21,447)	678	(20,769)
Dividends paid in the year (note 10)	–	–	–	(7,468)	–	–	(7,468)
At 31st March 2019	5,595	33,978	1,836	303,766	(98,486)	(11,579)	235,110
Net (loss)/return	–	–	–	–	(6,718)	415	(6,303)
Dividends paid in the year (note 10)	–	–	–	(9,811)	–	–	(9,811)
At 31st March 2020	5,595	33,978	1,836	293,955	(105,204)	(11,164)	218,996

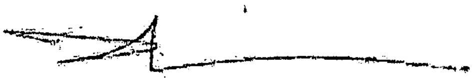
[1] The share premium was cancelled in the period ended 31st March 2001 and redesignated as 'other reserve'.
[2] These reserves form the distributable reserves of the Company and may be used to fund distributions to investors.
[3] Stamp duty on shares repurchased into Treasury on 29th March 2018.

The notes on pages 54 to 69 form an integral part of these financial statements.

AT 31ST MARCH 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	**235,388**	**253,585**
Current assets	12		
Debtors		2,028	1,786
Cash and cash equivalents		12,743	10,343
		14,771	12,129
Creditors: amounts falling due within one year	13	(1,281)	(30,604)
Net current assets/(liabilities)		**13,490**	**(18,475)**
Total assets less current liabilities		**248,878**	**235,110**
Creditors: amounts falling due after more than one year	14	(29,882)	–
Net assets		**218,996**	**235,110**
Capital and reserves			
Called up share capital	15	5,595	5,595
Share premium	16	33,978	33,978
Capital redemption reserve	16	1,836	1,836
Other reserve	16	293,955	303,766
Capital reserves	16	(105,204)	(98,486)
Revenue reserve	16	(11,164)	(11,579)
Total shareholders' funds		**218,996**	**235,110**
Net asset value per share	17	**401.8p**	**431.3p**

The financial statements on pages 51 to 69 were approved and authorised for issue by the Directors on 26th June 2020 and were signed on their behalf by:



Deborah Guthrie

Director

The notes on pages 54 to 69 form an integral part of these financial statements.

Company registration number: 3916716.

FOR THE YEAR ENDED 31ST MARCH 2020

	Notes	2020 £'000	2019 £'000
Net cash outflow from operations before dividends and interest	18	(2,769)	(2,694)
Dividends received		3,402	3,465
Interest paid		(241)	(222)
Net cash inflow from operating activities		**392**	**549**
Purchases of investments		(33,202)	(61,376)
Sales of investments		44,742	69,840
Settlement of foreign currency contracts		(54)	30
Net cash inflow from investing activities		**11,486**	**8,494**
Dividends paid		(9,811)	(7,468)
Repurchase of shares into Treasury		–	(469)
Net cash outflow from financing activities		**(9,811)**	**(7,937)**
Increase in cash and cash equivalents		**2,067**	**1,106**
Cash and cash equivalents at start of year		10,343	9,117
Exchange movements		333	120
Cash and cash equivalents at end of year		12,743	10,343
Increase in cash and cash equivalents		**2,067**	**1,106**
Cash and cash equivalents consist of:			
Cash and short term deposits		12,743	10,343
Total		**12,743**	**10,343**

The notes on pages 54 to 69 form an integral part of these financial statements.

RECONCILIATION OF NET DEBT

	As at 31st March 2019 £'000	Cash flows £'000	Exchange movement £'000	Other movement £'000	As at 31st March 2020 £'000
Cash and cash equivalents					
Cash	10,343	2,067	333	–	12,743
	10,343	2,067	333	–	12,743
Borrowings					
Debt due within one year	(27,734)	–	–	27,734	–
Debt due after one year	–	–	(2,148)	(27,734)	(29,882)
	(27,734)	–	(2,148)	–	(29,882)
Total	**(17,391)**	**2,067**	**(1,815)**	–	**(17,139)**

FOR THE YEAR ENDED 31ST MARCH 2020

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared 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 October 2019.

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 34 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 treated 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 cash balances and loans 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'.

Unrealised gains and losses on foreign currency loans are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Other revaluation reserve'.

(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 income or capital.

Where the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend foregone is recognised in revenue. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital.

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

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue except for expenses incidental to purchases and sales of investments which are written off 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 61.

(f) Finance costs

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

Finance costs are allocated wholly to revenue.

(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 and overdrafts are recorded initially at the proceeds received net of direct issue costs. Loans are subsequently recorded at amortised cost using the effective interest method. Interest payable on the bank loan is accounted for on an accruals basis in the Statement of Comprehensive Income.

(h) Taxation

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

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.

(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.

(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.

1. Accounting policies *continued*

(k) Repurchase of shares to hold in Treasury

The cost of repurchasing ordinary shares including the related stamp duty and transactions costs is charged to 'Other reserve' and dealt with in the Statement of Changes in Equity. Share repurchase transactions are accounted for on a trade date basis. Where shares held in Treasury are subsequently cancelled, the nominal value of those shares is transferred out of called up share capital and into the capital redemption reserve.

Should shares held in Treasury be reissued, the sales proceeds will be treated as a realised capital profit up to the amount of the purchase price of those shares and will be transferred to capital reserves. The excess of the sales proceeds over the purchase price will be transferred to share premium.

(l) Dividends

Dividends are paid from a combination of the revenue, capital and other reserves. Interim dividends are included in the financial statements in the year in which they are paid. Final dividends are recognised when they are approved by the shareholders.

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 accounting judgements or estimates have been applied to this set of financial statements, 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 on investments held at fair value through profit or loss

	2020 £'000	2019 £'000
Gains/(losses) on investments	(4,849)	(20,911)
Other capital charges	(4)	(6)
Total losses on investments held at fair value through profit or loss	**(4,853)**	**(20,917)**

4. Income

	2020 £'000	2019 £'000
Income from investments		
Overseas dividends	3,836	4,007

5. Management fee

	2020			2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	2,257	–	2,257	2,294	–	2,294

Details of the management fee are given in the Directors' Report on page 26.

6. Other administrative expenses

	2020 £'000	2019 £'000
Administrative expenses	315	230
Directors' remuneration[1]	138	123
Depositary fee	32	33
Savings scheme costs[2]	6	11
Fee payable to the Company's auditor for the audit of the Company's annual accounts	34	29
	525	**426**

[1] Full disclosure is given in the Directors' Remuneration Report on pages 37 and 38.

[2] Paid to the Manager for the administration of saving scheme products.

7. Finance costs

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Interest on bank loans and overdrafts	246	–	246	220	–	220

8. Taxation

(a) Analysis of tax charge for the year

	2020 £'000	2019 £'000
Overseas withholding tax	393	389
Total tax charge for the year	**393**	**389**

(b) Factors affecting total tax charge for the year

Approved investment trusts are exempt from tax on capital gains made within the Company.

The UK corporation tax rate was 19% from 1st April 2017, giving an effective rate of 19% (2019: 19%). The tax assessed is higher (2019: higher) than that resulting from applying the effective standard rate of corporation tax in the UK. The difference is explained below.

8. Taxation *continued*

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

	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Net return/(losses) before taxation	808	(6,718)	(5,910)	1,067	(21,447)	(20,380)
Corporation tax at the effective rate of 19% (2019: 19%)	154	(1,276)	(1,122)	203	(4,075)	(3,872)
Effects of:						
Non taxable capital losses	–	1,276	1,276	–	4,075	4,075
Non taxable overseas dividends	(705)	–	(705)	(730)	–	(730)
Income tax timing difference	–	–	–	14	–	14
Unrelieved expenses	553	–	553	517	–	517
Overseas withholding tax	393	–	393	389	–	389
Double taxation relief expensed	(2)	–	(2)	(4)	–	(4)
Total tax charge for the year	**393**	**–**	**393**	**389**	**–**	**389**

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £5,998,000 (2019: £4,871,000) based on a prospective corporation tax rate of 19% (2019: 17%).

The deferred tax asset has arisen due to the cumulative excess of deductible (management and loan) expenses over taxable income. It is not anticipated that excess expenses will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

Due to 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

	2020 £'000	2019 £'000
Return per share is based on the following:		
Revenue return	415	678
Capital loss	(6,718)	(21,447)
Total loss	**(6,303)**	**(20,769)**
Weighted average number of shares in issue during the year	54,510,339	54,510,339
Revenue return per share	0.76p	1.24p
Capital loss per share	(12.32)p	(39.35)p
Total loss per share	**(11.56)p**	**(38.11)p**

10 Dividends

(a) Dividends paid and declared

	2020 £'000	2019 £'000
Dividends paid		
2019 fourth quarterly dividend of 4.3p (2018: 0.0p) paid to shareholders in May	2,344	–
2020 first quarterly dividend of 4.4p (2019: 4.9p) paid to shareholders in August	2,398	2,671
2020 second quarterly dividend of 4.6p (2019: 4.9p) paid to shareholders in November	2,507	2,671
2020 third quarterly dividend of 4.7p (2019: 3.9p) paid to shareholders in February	2,562	2,126
Total dividends paid in the year	**9,811**	**7,468**

	2020 £'000	2019 £'000
Dividend declared		
2020 fourth quarterly dividend of 4.0p (2019: 4.3p) payable to shareholders in May	2,180	2,344

All dividends paid and declared in the year have been funded from the Other reserve.

The fourth quarterly dividend has been declared in respect of the year ended 31st March 2020. In accordance with the accounting policy of the Company, this dividend will be reflected in the financial statements for the year ending 31st March 2021.

(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 dividends declared in respect of the financial year, shown below.

	2020 £'000	2019 £'000
2020 first quarterly dividend of 4.4p (2019: 4.9p)	2,398	2,671
2020 second quarterly dividend of 4.6p (2019: 4.9p)	2,507	2,671
2020 third quarterly dividend of 4.7p (2019: 3.9p)	2,562	2,126
2020 fourth quarterly dividend payable of 4.0p (2019: 4.3p)	2,180	2,344
Total	**9,647**	**9,812**

11. Investments

	2020 £'000	2019 £'000
Investments listed on a recognised stock exchange	235,388	253,585
Opening book cost	182,519	173,478
Opening investment holding gains	71,066	106,468
Opening valuation	253,585	279,946
Movement in the year:		
Purchases at cost	31,591	64,132
Sales proceeds	(44,939)	(69,582)
Losses on investments	(4,849)	(20,911)
	235,388	253,585
Closing book cost	182,864	182,519
Closing investment holding gains	52,524	71,066
Total investments held at fair value through profit or loss	**235,388**	**253,585**

Transaction costs on purchases during the year amounted to £18,000 (2019: £30,000) and on sales during the year amounted to £17,000 (2019: £37,000). These costs comprise mainly brokerage commission.

The company received £45,000,000 (2019: £70,000,000) from investments sold in the year. The book cost of these investments when they were purchased was £31,000,000 (2019: £155,000,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

12. Current assets

	2020 £'000	2019 £'000
Debtors		
Dividends and interest receivable	1,763	1,722
Securities sold awaiting settlement	193	–
VAT recoverable	56	30
Other debtors	16	34
	2,028	**1,786**

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

Cash and cash equivalents

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

13. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Securities purchased awaiting settlement	1,145	2,756
Other creditors and accruals	97	80
Loan interest payable	39	34
Bank loan	–	27,734
	1,281	**30,604**

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

	2020 £'000	2019 £'000
Bank loan	29,882	–
	29,882	**–**

On 26th October 2019, the Company arranged a new Yen 4.0 billion (introducing an option of further increasing the facility to Yen 6.0 billion) three year unsecured floating rate revolving facility with Scotiabank. This facility replaced the Yen 4.0 billion unsecured two year term loan with Scotiabank expired in October 2019.

Interest on the loan facility is payable at a margin of 0.825% over LIBOR as offered in the market for the loan period plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements. This facility is subject to covenants which are customary for a credit agreement of this value.

15. Called up share capital

	2020 £'000	2019 £'000
Issued and fully paid share capital:		
Ordinary shares of 10p each		
Opening balance of 54,510,339 (2019: 54,510,339) shares excluding shares held in Treasury	5,452	5,452
Subtotal of 54,510,339 (2019: 54,510,339) shares excluding shares held in Treasury	5,452	5,452
1,434,221 (2019: 1,434,221) shares held in Treasury	143	143
Closing balance of 55,944,560 (2019: 55,944,560) shares including shares held in Treasury	**5,595**	**5,595**

Further details of transactions in the Company's shares are given in the Strategic Report on page 21.

16. Capital and reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve[1,2] £'000	Capital reserves[2] Gains and losses on sales of investments £'000	Capital reserves[2] Investment holding gains and losses £'000	Capital reserves[2] Other revaluation reserve £'000	Revenue reserve[2] £'000	Total £'000
Opening balance	5,595	33,978	1,836	303,766	(171,197)	71,066	1,645	(11,579)	235,110
Net currency gains on derivatives, cash and cash equivalents	–	–	–	–	283	–	–	–	283
Realised gains on sale of investments	–	–	–	–	13,693	–	–	–	13,693
Net change in unrealised gains and losses on investments	–	–	–	–	–	(18,542)	–	–	(18,542)
Unrealised foreign currency loss on loan	–	–	–	–	–	–	(2,148)	–	(2,148)
Other capital charges	–	–	–	–	(4)	–	–	–	(4)
Net profit for the year	–	–	–	–	–	–	–	415	415
Dividends paid in the year	–	–	–	(9,811)	–	–	–	–	(9,811)
Closing balance	**5,595**	**33,978**	**1,836**	**293,955**	**(157,225)**	**52,524**	**(503)**	**(11,164)**	**218,996**

[1] The share premium was cancelled in the opening period ended 31st March 2001 and redesignated as 'other reserve'.

[2] These reserves form the distributable reserve of the Company and may be used to fund distribution to investors.

17. Net asset value per share

	2020	2019
Net assets (£'000)	218,996	235,110
Number of shares in issue, excluding shares held in Treasury	54,510,339	54,510,339
Net asset value per share	**401.8p**	**431.3p**

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

	2020 £'000	2019 £'000
Net loss before finance costs and taxation	(5,664)	(20,160)
Add capital loss before finance costs and taxation	6,718	21,447
Increase in accrued income and other debtors	(49)	(153)
Increase/(decrease) in accrued expenses	17	(216)
Overseas withholding tax	(393)	(389)
Dividends received	(3,402)	(3,465)
Realised gain on foreign exchange transactions	4	242
Net cash outflow from operations before dividends and interest	**(2,769)**	**(2,694)**

19. Capital commitments and contingent liabilities

At the balance sheet date there were no capital commitments or contingent liabilities (2019: none).

20a. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 26. The management fee payable to the Manager for the year was £2,257,000 (2019: £2,294,000) of which £nil (2019: £nil) was outstanding at the year end.

During the year £6,000 (2019: £11,000) was paid to the Manager for the marketing and administration of savings scheme products, of which £nil (2019: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 57 are safe custody fees payable to JPMorgan Chase group subsidiaries amounting to £31,000 (2019: £30,000) of which £8,000 (2019: £5,000) 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 Limited for the year was £1,000 (2019: £nil) of which £nil (2019: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £4,000 (2019: £6,000) were payable to JPMorgan Chase during the year of which £nil (2019: £nil) was outstanding at the year end.

At the year end, total cash of £12,743,000 (2019: £10,343,000) was held with JPMorgan Chase. A net amount of interest of £nil (2019: £nil) was receivable by the Company during the year from JPMorgan Chase of which £nil (2019: £nil) was outstanding at the year end.

20b. Transactions with related parties

Full details of Directors' remuneration and shareholdings can be found on pages 37 and 38 and in note 6 on page 57.

21. Disclosures regarding financial instruments measured at fair value

The fair value hierarchy disclosures required by FRS 102 are given below.

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

The investments are categorised into a hierarchy consisting of the following three levels:

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

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

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

Details of the valuation techniques used by the Company are given in note 1(b) on page 54.

The following table sets out the fair value measurements using the FRS 102 hierarchy at 31st March.

	2020		2019	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	235,388	–	253,585	–
Total	**235,388**	**–**	**253,585**	**–**

There was no transfers between Level 1, 2 and 3 during the year (2019: none).

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 interest rate risk and market price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below.

The Company receives dividends that are paid in currencies other than sterling. Therefore a significant movement in exchange rates could impact the portfolio yield, however the Board considers this to be a relatively low risk. The Company Secretary, in close co-operation with the Board and the Manager, co-ordinates the Company's risk management strategy.

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 financial instruments as follows:

- investments in Japanese equity shares, which are all held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations; and
- a yen denominated bank loan, the main purpose of which is to finance the Company's operations.

(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, 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 assets, liabilities and income are denominated primarily in yen. The Company's functional currency and the currency in which it reports are sterling. As a result, movements in the sterling/yen exchange rate will affect the sterling value of those items.

Management of currency risk

The Manager monitors the Company's exposure to the yen 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 this exposure by considering the effect on the Company's net asset value and income of a movement in the sterling/yen rate of exchange to which the Company's assets, liabilities, income and expenses are exposed. Yen borrowing may be used to limit the exposure of the Company's portfolio of investments to changes in the exchange rate. This borrowing is limited to an amount commensurate with the asset exposure to the yen. Income denominated in yen 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 foreign currency exposure at 31st March are shown below. Where the Company's equity investments (which are not monetary items) are priced in yen, they have been included separately in the analysis so as to show the overall level of exposure.

Yen exposure	2020 £'000	2019 £'000
Securities sold awaiting settlement, dividends and interest receivable	1,956	1,722
Cash and cash equivalents	12,181	10,112
Bank loan	(29,882)	(27,734)
Securities purchased awaiting settlement	(1,187)	(2,790)
Foreign currency exposure on net monetary items	(16,932)	(18,690)
Investments held at fair value through profit or loss	235,388	253,585
Total net foreign currency exposure	**218,456**	**234,895**

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

Foreign currency sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets with regard to the Company's financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's currency financial instruments held at each balance sheet date and the income receivable in foreign currency and assumes a 10% (2019: 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.

	2020		2019	
	If sterling strengthened by 10% £'000	If sterling weakened by 10% £'000	If sterling strengthened by 10% £'000	If sterling weakened by 10% £'000
Statement of Comprehensive Income - return after taxation				
Revenue (loss)/return	(384)	384	(401)	401
Capital (loss)/return	(21,846)	21,846	(23,490)	23,490
Total (loss)/return after taxation	(22,230)	22,230	(23,891)	23,891
Net assets	**(22,230)**	**22,230**	**(23,891)**	**23,891**

In the opinion of the Directors, the above sensitivity analysis is broadly representative of the whole year.

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on variable rate cash borrowings.

Management of interest rate risk

The Company does not normally hold significant cash balances. There is an overdraft facility available from JPMorgan Chase, if required, bearing interest at a market rate on the terms on which JPMorgan Chase makes similar overdrafts available.

The Company has a Yen 4.0 billion unsecured three year floating rate loan with Scotiabank which will expire in October 2022.

Interest on the loan facility is payable at a margin of 0.825% over LIBOR as offered in the market for the loan period plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements.

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

(a) Market risk *continued*

(ii) Interest rate risk *continued*

Interest rate exposure

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

	2020 £'000	2019 £'000
Amounts exposed to floating interest rates:		
Cash and short term deposits	12,743	10,343
Bank loan	(29,882)	(27,734)
Total exposure	**(17,139)**	**(17,391)**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2019: same).

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2019: 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.

	2020		2019	
	1% increase in rate £'000	1% decrease in rate £'000	1% increase in rate £'000	1% decrease in rate £'000
Statement of Comprehensive Income - return after taxation				
Revenue (loss)/return	(171)	171	(174)	174
Net assets	**(171)**	**171**	**(174)**	**174**

In the opinion of the Directors, this sensitivity analysis 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 Company's loan facilities.

(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 objectives and seeks to ensure that individual stocks meet an acceptable risk/reward profile.

The Company's total exposure to changes in market prices at 31st March comprises its holdings in equity investments as follows:

	2020 £'000	2019 £'000
Investments held at fair value through profit or loss	235,388	253,585

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

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2019: 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.

	2020		2019	
	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 after taxation				
Revenue (loss)/return	(188)	188	(203)	203
Capital return/(loss)	23,539	(23,539)	25,359	(25,359)
Total return after taxation	23,351	(23,351)	25,156	(25,156)
Net assets	**23,351**	**(23,351)**	**25,156**	**(25,156)**

Concentration of exposure to market price risk

An analysis of the Company's investments is given on pages 14 to 17. This shows that all of the investments' value is in Japanese equities. Accordingly, there is a concentration of exposure to that country. However, it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting its 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 facility are given in part (a)(ii) to this note on page 66.

Details of the company's loan facility are given in note 13 on page 61.

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

(b) Liquidity risk *continued*

Liquidity risk exposure

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

	2020			
	Three months or fewer £'000	More than three months but not more than one year £'000	More than one year £'000	Total £'000
Creditors:				
Securities purchased awaiting settlement	1,145	–	–	1,145
Other creditors and accruals	97	–	–	97
Bank loan, including interest	92	160	30,217	30,469
	1,334	160	30,217	31,711

	2019			
	Three months or fewer £'000	More than three months but not more than one year £'000	More than one year £'000	Total £'000
Creditors:				
Securities purchased awaiting settlement	2,756	–	–	2,756
Other creditors and accruals	80	–	–	80
Bank loan, including interest	85	27,802	–	27,887
	2,921	27,802	–	30,723

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 Payment ('DVP') settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. 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. The Board regularly reviews the counterparties used by the Manager.

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.

(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.

23. Capital management policies and procedures

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

	2020 £'000	2019 £'000
Debt:		
Bank loan	29,882	27,734
Equity:		
Called up share capital	5,595	5,595
Reserves	213,401	229,515
	218,996	235,110
Total debt and equity	**248,878**	**262,844**

The Company's capital management objectives are to ensure that it will continue as a going concern and to maximise the income and 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 15% geared in normal market conditions.

	2020 £'000	2019 £'000
Investments held at fair value through profit or loss	235,388	253,585
Net assets	218,996	235,110
Gearing	7.5%	7.9%

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 opportunity for issues of new shares, including issues from Treasury.

24. Subsequent events

The occurrence of the coronavirus pandemic has continued to significantly impact global stock markets, including Japan's stock market after the balance sheet date. At 23rd June 2020, the latest practicable date, the Company's published NAV per share had risen to 509.2p, and the share price to 441.0p. Further details relating to the impact of COVID-19 on the Company are given in the Chairman's Statement, Investment Managers' Report, Going Concern Statement, Viability Statement and under the Principal and Emerging Risks sections of this Annual Report.

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

Leverage

For the purposes of 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 method and a commitment method, in accordance with 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 31st March 2020, which gives the following figures:

	Gross £	Commitment £
Maximum limit	200%	200%
Actual	113%	113%

JPMorgan Funds Limited (the '**Management Company**') is the authorised manager of JPMorgan Japan Smaller Companies 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 2019 Performance Year in June 2019 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 2019 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 30 Alternative Investment Funds (with 4 sub-funds) and 2 UCITS (with 38 sub-funds) as at 31st December 2019, with a combined AUM as at that date of £13.8 billion and £17.1 billion respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company (USD$'000s)	15,972	9,139	25,111	119

The aggregate 2019 total remuneration paid to AIFMD Identified Staff was USD $57,449,000, of which USD $4,425,000 relates to Senior Management and USD $53,024,000 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 DISCLOSURE (UNAUDITED)

The Company does not engage 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) or total return swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31st March 2020.

Shareholder Information

Notice is hereby given that the nineteenth Annual General Meeting of JPMorgan Japan Smaller Companies Trust plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Tuesday, 28th July 2020 at 12 noon for the following purposes (which will be proposed in case of Resolutions 1 to 11 as ordinary resolutions and, in the case of Resolutions 12 and 13 as special resolutions):

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st March 2020.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st March 2020.
4. To approve the dividend policy of the Company as set out in the Annual Report.
5. To reappoint Alexa Henderson as a Director of the Company.
6. To reappoint Yuuichiro Nakajima as a Director of the Company.
7. To reappoint Deborah Guthrie as a Director of the Company.
8. To appoint Martin Shenfield as a Director of the Company.
9. To appoint Tom Walker as a Director of the Company.
10. To reappoint Grant Thornton UK LLP as the Auditor of the Company and to authorise the Directors to determine its remuneration.

Authority to allot new Ordinary shares - Ordinary Resolution

11. 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 of the Company to allot equity securities in the Company and to grant rights to subscribe for, or to convert any security into, Ordinary shares in the Company ('Rights') up to an aggregate nominal amount of £272,550 or, if different, the aggregate nominal amount representing approximately 5% of the Company's issued Ordinary share capital (excluding shares held in Treasury) as at the date of the passing of this resolution providing 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, agreements or arrangements which would or might require equity securities to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot equity securities and grant Rights in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

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

12. THAT subject to the passing of Resolution 11, 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 11 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 £272,550 or, if different, the aggregate nominal amount representing approximately 5% of the total Ordinary share capital (excluding shares held in Treasury) 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 11, save that the Company may before such expiry make offers, agreements or arrangements 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, agreements or arrangements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares - Special Resolution

13. 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 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 8,171,099 or, if fewer, 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 10 pence;

    (iii) the maximum price which may be paid for a share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for a 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 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 NAV per share (as determined by the Directors);

(v) the authority hereby conferred shall expire on 27th January 2022 unless the authority is renewed at the Company's 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 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 shares pursuant to any such contract notwithstanding such expiry.

Divya Amin

By order of the Board
Divya Amin, for and on behalf of
JPMorgan Funds Limited,
Secretary

29th June 2020

Notes

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

1. At the date of this Notice the format of the Company's 2020 AGM has had to be changed so that it complies with both the existing Companies Act and the recently introduced legislation which the UK Government introduced to limit the impact of the COVID-19 pandemic, restricting travel and limiting gatherings to no more than two persons. **Shareholders are asked to comply with the government's latest COVID-19 pandemic legislation restricting travel and public gatherings and not to attend the AGM.** Arrangements will be made by the Company to ensure that the minimum number of two shareholders required to form a quorum for the AGM will attend the meeting in order that the meeting may proceed and the business be concluded. To ensure compliance with COVID-19 pandemic legislation restricting public gatherings, no shareholders (other than the two previously notified shareholders making up the quorum for the AGM) will be permitted to attend the meeting and entry to the building will not be allowed.

2. Subject to compliance with COVID-19 pandemic legislation as detailed in Note 1. above, a member entitled to attend and vote at 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.

3. Subject to compliance with COVID-19 pandemic legislation as detailed in Note 1. above, 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.

4. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 12.00 noon two business days prior to the Meeting (i.e. excluding weekends and bank holidays).

5. 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.

6. 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.

7. Subject to compliance with COVID-19 pandemic legislation as detailed in Note 1. above, entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.

8. Subject to compliance with COVID-19 pandemic legislation as detailed in Note 1. above, 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.

9. 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 Auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (b) any circumstances connected with the Auditor of the Company ceasing to hold office since the previous Annual General Meeting, 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 Auditor 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.

10. 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.

11. 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.

12. 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.

13. 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.jpmjapansmallercompanies.co.uk.

14. Subject to compliance with COVID-19 pandemic legislation as detailed in Note 1. above, 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). They will also be available for inspection at the Meeting. No Director has any contract of service with the Company.

15. 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.

16. 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.

17. As at 24th June 2020 (being the latest business day prior to the publication of this Notice), the Company's issued share capital (excluding Treasury shares) consists of 54,510,339 Ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 54,510,339.

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 31st March 2020	Year ended 31st March 2019	
Opening share price (p)	5	376.0	427.0	(a)
Closing share price (p)	5	354.0	376.0	(b)
Total dividend adjustment factor[1]		1.044870	1.034520	(c)
Adjusted closing share price (d = b x c)		369.9	389.0	(d)
Total return to shareholders (e = (d / a) - 1)		**-1.6%**	**-8.9%**	(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 (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 31st March 2020	Year ended 31st March 2019	
Opening cum-income NAV per share (p)	5	431.3	483.1	(a)
Closing cum-income NAV per share (p)	5	401.8	431.3	(b)
Total dividend adjustment factor[1]		1.040537	1.031820	(c)
Adjusted closing cum-income NAV per share (d = b x c)		418.1	444.8	(d)
Total return on net assets with debt at par value (e = d / a - 1)		**-3.1%**	**-7.9%**	(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 cum-income NAV at the ex-dividend date.

Net asset value per share (APM)

The value of the Company's net assets (total assets less total liabilities) divided by the number of ordinary shares in issue. Please see note 17 on page 62 for detailed calculations.

Benchmark 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	31st March 2020 £'000	31st March 2019 £'000	
Investments held at fair value through profit or loss	60	235,388	253,585	(a)
Net assets	60	218,996	235,110	(b)
Gearing (c = (a / b) - 1)		**7.5%**	**7.9%**	(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 cum-income net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

Ongoing charges calculation	Page	Year ended 31st March 2020 £'000	Year ended 31st March 2019 £'000	
Management fee	51	2,257	2,294	
Other administrative expenses	51	525	426	
Total management fee and other administrative expenses		2,782	2,720	(a)
Average daily cum-income net assets		243,341	246,570	(b)
Ongoing charges (c = a / b)		**1.14%**	**1.10%**	(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 20).

Performance Attribution

Analysis of how the Company achieved its recorded performance relative to its benchmark.

Performance Attribution Definitions:

Stock/Sector Allocation

Measures the effect of investing in securities/sectors to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are not included in the benchmark.

Gearing/(net cash)

Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

Management Fee/Other Expenses

The payment of fees and expenses reduces the level of total assets, and therefore has a negative effect on relative performance.

You can invest in a J.P. Morgan investment trust through the following:

1. Via a third party provider

Third party providers include:

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

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

The Board encourages all of its shareholders to exercise their rights and notes that many specialist platforms provide shareholders with the ability 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 Association of Investment Companies ('AIC') website at www.theaic.co.uk/aic/shareholder-voting-consumer-platforms for information on which platforms support these services and how to utilise them.

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 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.

FINANCIAL CALENDAR

Financial year end	31st March
Final results announced	June
Half year end	30th September
Half year results announced	December
Annual General Meeting	July
Quarterly Interim Dividends paid	February, May, August, November

History

The Company and its predecessor, JF Fledgeling Japan Limited, have been investing in Japanese smaller companies since 1984. In early 2000, JF Fledgeling Japan Limited was placed into voluntary liquidation and JPMorgan Fleming Japanese Smaller Companies Investment Trust plc was incorporated and took over its assets and undertakings. Dealings on the new Company began on the London Stock Exchange on 11th April 2000. The Company changed its name to JPMorgan Japan Smaller Companies Trust plc in July 2010.

Company Numbers

Company registration number: 3916716
London Stock Exchange Sedol number: 0316581
ISIN: GB0003165817
Bloomberg ticker: JPS LN
LEI: 549300KP3CRHPQ4RF811

Market Information

The Company's unaudited net asset value ('NAV') per share is published daily, via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange and are quoted daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman and on the Company's website at www.jpmjapansmallercompanies.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmjapansmallercompanies.co.uk

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 number: 020 7742 4000

For company secretarial matters, please contact Divya Amin.

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 2093
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0371 384 2539

Lines are open from 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 2093.

Registered shareholders can obtain further details on individual holdings on the internet by visiting www.shareview.co.uk.

Independent Auditor

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditor
30 Finsbury Square
London EC2P 2YU

Brokers

Investec Bank plc
30 Gresham Street
London EC2V 7QP

aic
The Association of Investment Companies
A member of the AIC

CONTACT

60 Victoria Embankment
London
EC4Y 0JP
Tel +44 (0) 20 7742 4000
Website www.jpmjapansmallercompanies.co.uk

J.P.Morgan
Asset Management

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