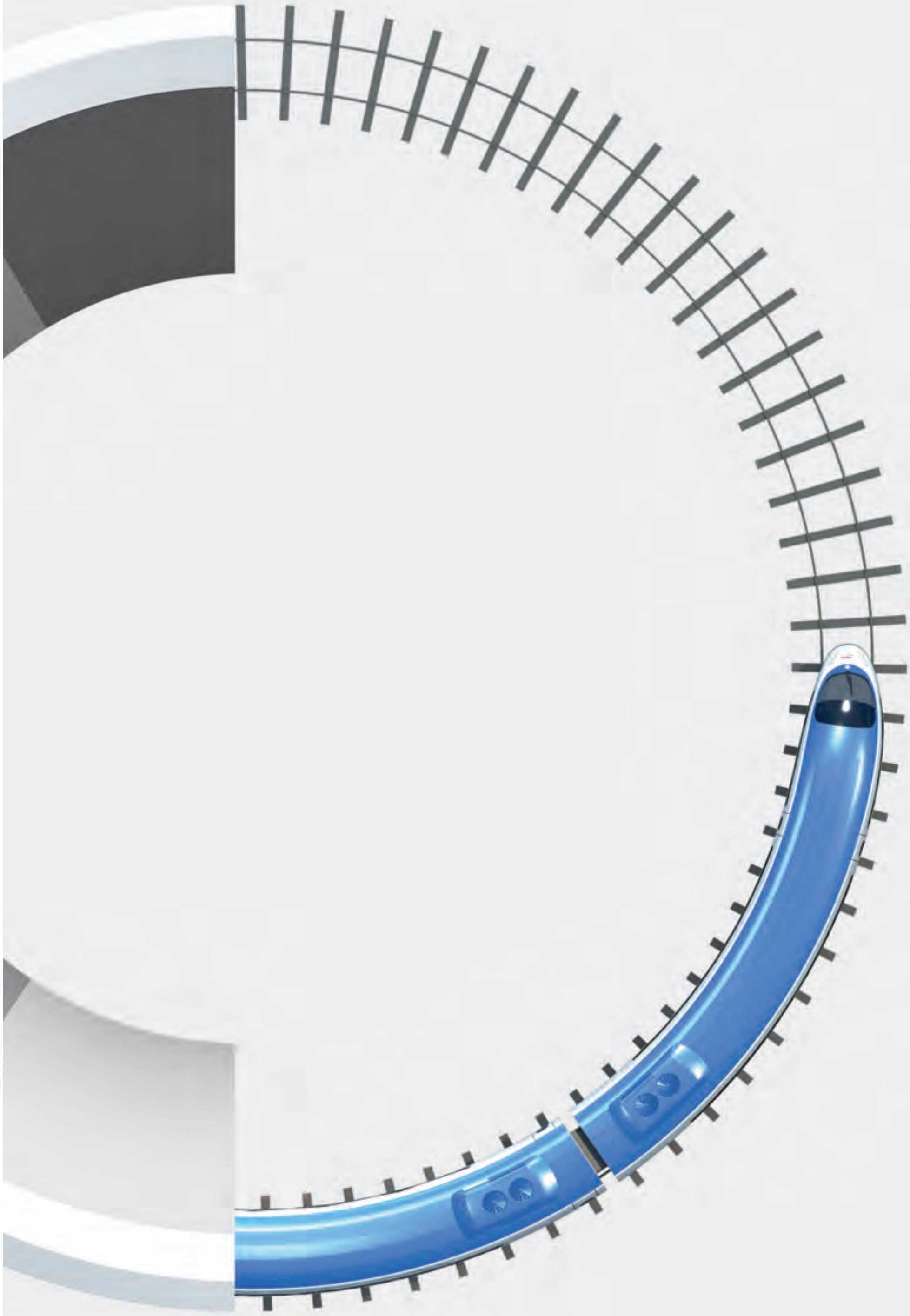
JPMorgan Japanese Investment Trust plc

Annual Report & Financial Statements for the year ended 30th September 2017



J.P.Morgan
Asset Management

Your Company

Investment Objective

Capital growth from Japanese investments.

Investment Policy

- To maintain a portfolio almost wholly invested in Japan.
- To use gearing to increase potential returns to shareholders. The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions.
- To invest no more than 15% of its gross assets in any listed company (including investment trusts).

Further details on investment objective, policies and risk management and restrictions and guidelines are given in the Strategic Report on pages 4 to 22.

Benchmark

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

Capital Structure

UK domiciled. Full listing on the London Stock Exchange.

As at 30th September 2017, the Company's share capital comprised 161,248,078 (2016: 161,248,078) ordinary shares of 25p each.

Management Company and Company Secretary

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager ('AIFM') and Company Secretary. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM'), which in turn delegates day to day investment management activity to JPMorgan Asset Management (Japan) Limited in Tokyo. Further details are given on page 25.

Find out more

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

Nicholas Weindling
Investment Manager

"I am excited by the opportunities for investment in Japanese companies. Our large locally-based investment team provides a real competitive advantage, allowing us to identify attractive companies that are often overlooked by brokers and investors."

"Japan is changing. New products, technologies and markets provide us with a broad universe of attractively priced companies. At the same time, substantial improvements in corporate governance mean many older, more established companies are taking your interests as investors more seriously and are looking to improve returns."

Shoichi Mizusawa
Investment Manager

Why invest in the JPMorgan Japanese Investment Trust

Our heritage and our team

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

Based primarily in Tokyo, the team has a depth of experience in Japanese equity investments and unrivaled access to JPMorgan Asset Management sources globally. The team has an average of 13 years' experience with JPMorgan and 18 years' experience in the industry. There are 24 investment professionals based in Japan.

Our Investment Approach

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

40	24	2,000+	91.4%
Years' experience investing in the region	Investment professionals in Japan	Japanese company visits each year	Active share[1]

[1] Active share is a measurement of the difference in the Company's portfolio compared to the benchmark index.

CONTENTS

Strategic Report

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED)

	2017	2016	3 Year	5 Year
Return to shareholders[1]	+12.3%	+31.5%	+76.4%	+157.7%
Return on net assets[2]	+9.7%	+36.0%	+71.1%	+138.5%
Benchmark return[3]	+12.2%	+31.7%	+56.7%	+106.1%
Net asset return under/outperformance against benchmark return[3]	-2.5%	+4.3%	+14.4%	+32.4%
Dividend	5.00p	3.65p		

[1] Source: Morningstar.

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

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

A glossary of terms and alternative performance measures is provided on page 72.

SUMMARY OF RESULTS

	2017	2016	% change
Key financial data as at 30th September			
Shareholders' funds (£'000)	678,838	624,765	+8.7
Total assets (£'000)	778,546	693,440	+12.3
Net asset value per share	421.0p	387.5p	+8.6
Share price	372.0p	335.0p	+11.0
Share price discount to net asset value	11.6%	13.5%	
Exchange rate	1 £ = ¥ 151.0	1 £ = ¥ 131.5	+14.8
Shares in issue	161,248,078	161,248,078	
Revenue for the year ended 30th September			
Gross revenue attributable to shareholders (£'000)	11,640	8,725	+33.4
Net revenue attributable to shareholders (£'000)	8,902	6,406	+39.0
Revenue return per share	5.52p	3.97p	+39.0
Dividend per share	5.00p	3.65p	+37.0
Gearing	13.6%	9.5%	
Ongoing Charges	0.69%	0.74%	

A glossary of terms and alternative performance measures is provided on page 72.

Andrew Fleming
Chairman

Investment Performance

Over the year your Company produced a total return on net assets of +9.7%, lagging its benchmark index by some 2.5%. When the effects of a tightening discount to net assets at which the shares trade is taken into account, the return experienced by shareholders was just ahead of the benchmark index at +12.3%. I would also emphasise the longer term performance of our Investment Managers. Over the five years to 30th September 2017 there has been outperformance of over 30% against the Company's benchmark index in total return terms.

Further information on performance and stocks held in the portfolio is included in the Investment Managers' Report on pages 8 to 14.

Revenue and Dividends

Income received during the year rose with earnings per share for the full year increasing to 5.52p (2016: 3.97p). The Board's dividend policy is to pay out the majority of the revenue available each year. This is set alongside the Company's objective of maximising capital growth. The Board proposes, subject to shareholders' approval at the Annual General Meeting, to pay a final dividend of 5.00pence per share (2016: 3.65p) on 22nd December 2017 to shareholders on the register at the close of business on 23rd November 2017 (ex-dividend date 24th November 2017). This represents a 37.0% increase compared with the year to 30th September 2016.

The return experienced by shareholders was just ahead of the benchmark index at 12.3%

Gearing

The Board of Directors sets the overall strategic gearing policy and guidelines, reviewing these at each meeting. The Investment Manager then manages the gearing within these agreed levels. During the year the Board agreed to increase the maximum gearing range from 15% to 20% in order to give the Investment Manager the opportunity to take advantage of potential additional market returns. Funds available to be drawn down by the Company are Y15billion and at the year end this amount was fully drawn down. On 30th September 2017, the Company had a gearing level of 13.6%. The management of gearing has been active during the year with the level ranging between geared positions of 9.0% and 14.5% (month end figures).

New Zealand Listing

As a result of the Board's decision to delist from the New Zealand Stock Exchange, a circular was posted to those New Zealand registered shareholders explaining the delisting arrangements and the delisting took effect on 4th September 2017.

Management Fees

The Board has conducted its annual review of the service providers which includes services provided by J.P. Morgan. This review includes a value-for-money test and a detailed review of the management fee. I am pleased to report that Ongoing Charges have reduced from 0.74% to 0.69% and the Board concluded that this was competitive compared to the Company's peer group.

The Board

Stephen Cohen and George Olcott joined the Board immediately after the Annual General Meeting on 20th December 2016. They will seek reappointment at the Annual General Meeting on 14th December 2017.

Annual General Meeting

This year's Annual General Meeting will be held on Thursday, 14th December 2017 at 2.00 p.m. at 60 Victoria Embankment, London EC4Y 0JP. As in previous years, in addition to the formal part of the meeting, there will be a presentation from the Investment Managers who will answer questions on the portfolio and performance. There will also be an opportunity to meet the Board and representatives of JPMorgan after the meeting. I look forward to welcoming as many of you as possible to this meeting.

If you have any detailed or technical questions, it would be helpful if you could raise these in advance of the meeting with the Company Secretary at 60 Victoria Embankment, London EC4Y 0JP. Alternatively, questions may be submitted via the Company's website (www.jpmjapanese.co.uk). Shareholders who are unable to attend the Annual General Meeting are encouraged to use their proxy votes. Proxy votes may be lodged electronically, whether shares are held through CREST or in certificated form, and full details are set out on the form of proxy.

Outlook

The Investment Managers' Report focuses largely on individual companies and themes given an investment approach that emphasises stock selection. There is no doubt, however, that the overall Japanese economy and quoted companies are huge beneficiaries of a strong synchronised recovery in global GDP growth. In particular some 59% of overall Japanese corporate earnings come from outside Japan.

In addition to corporate earnings benefitting from global growth, Japanese companies have in general built very strong balance sheets with cash or near cash of nearly Y400trillion (US $3.5trillion) in corporate reserves. This combination of gearing to global growth and conservative financing should become more appealing to investors, particularly those based outside Japan who have generally been sceptical of prospects for the Japanese stock market and are underweight Japanese equities.

Japanese companies have been increasing dividends and share buyback programmes and introducing more shareholder friendly targets such as return on equity. There is some evidence that corporate Japan's natural caution in implementing more 'Western' style shareholder measures has caused some scepticism among investors as to how deep and enduring these programmes will be, particularly among overseas investors. The Board believes that as corporate profits recover further in this cycle there is the potential for share buybacks and dividend increases to surprise positively, adding to the appeal of Japanese equities in a global context. I am pleased to note that as a result of higher dividends in the portfolio the Board proposes to pay a dividend of 5.00 pence per share.

The Board continues to believe that an actively managed approach to Japanese equities implemented by a team based on the ground in Japan will deliver good returns for shareholders in the foreseeable future.

Andrew Fleming
Chairman 13th November 2017

Nicholas Weindling
Investment Manager

Shoichi Mizusawa
Investment Manager

We have the resources in Japan to carry out our own research and identify attractive investment themes

Performance

In the year to 30th September 2017 the Company produced a total return to shareholders of +12.3% and a total return on net assets of +9.7%. These compare with a total return of +12.2% from the Company's benchmark index, the TOPIX Index, in sterling terms. Over three and five years the Company has returned +71.1% and +138.5% respectively versus +56.7% and +106.1% for the TOPIX index. The average level of gearing over the year was 12.8% which boosted performance in the rising market. Details of the longer term record are set out on page 18.

Investment Philosophy and Process

We believe that we are able to add value by focusing on quality growth stocks with strong future growth prospects. This means we are not afraid to avoid companies and sectors that face structural issues even if they are large constituents of the benchmark index.

The opportunity to find attractive opportunities is helped by the fact that the Japanese market is under-researched when compared with other developed equity markets. With well over 50% of the constituents of the Company's benchmark index being covered by no more than one provider of broker research, it is clear that there are significant opportunities to uncover hidden sources of return from Japanese equities.

The Company's benchmark index – Topix – is a market weighted index, reflecting the relative sizes of free-float of the companies listed on the Tokyo Stock Exchange First Section. We are mandated to build a portfolio that emphasises individual stock selection that will invariably not represent that of the index while recognising an overall tracking error limit for the whole portfolio.

Against the background of a market with poor sell-side coverage, we have the resources in Japan to carry out our own research and identify attractive investment themes and companies. Our Tokyo-based investment team consists of 24 investment professionals who have carried out over 2,000 company visits in the past year.

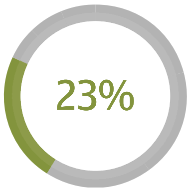
A combination of desk-based research and company meetings contribute to our rating of a company. We consider the growth opportunity for the industry overall before considering the company's competitive positioning and management. This allows us to assess the company's potential for growth. We then look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

The work carried out in looking through the under-researched parts of the market helps us build portfolios that are comprised of a number of high conviction holdings which we expect to hold for long periods of time, resulting in lower than average level of stock turnover. Over one year stock turnover was 32.0%, while over five years the annualised turnover was 39.0%.

Portfolio Themes

In building the Company's investment portfolio we have identified several key themes that underlie much of our stock selection. We believe these themes are long term resilient sources of return for Japanese companies.

Below we explain these themes, show the companies that exhibit them, their value in the portfolio and provide examples of holdings in the portfolio which represent them.



Suzuki Motor
Daikin Industries
Don Quijote
Nintendo
Shiseido
Kao
Pigeon
Sony
Isuzu Motors
Nippon Paint
Miura
Rinnai
Lion
Hoshizaki
Kewpie
Shimano
Tadano
Okamoto Industries
Nakanishi

Japan Brands & Tourism

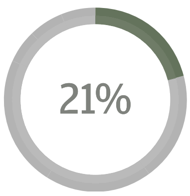
One of the most visible changes in Japan over the last five years has been the boom in inbound tourism. For example, in July 2013 around one million tourists came to Japan. In July 2017 this had increased to 2.7 million (*https://www.tourism.jp/en/tourism-database/stats/*). This has happened for three reasons. Firstly, visa restrictions were lifted for visitors from some parts of Asia. Secondly, the yen weakened making Japan a more affordable destination and thirdly, rising wages across Asia have led to a growing middle class who want to travel more. We believe that growth in tourism to Japan is a long term structural trend.

Whereas Asian tourists visiting Europe often purchase luxury goods, other types of products are also popular in Japan including skin cream, medicines, cosmetics and baby goods. These products all have an image of being high quality, safe and reliable. Additionally, not only do Asian consumers buy these products when visiting Japan but continue to do so once they return to their home countries.

Highlighted Company:

Pigeon

Pigeon is Japan's number one manufacturer of baby goods. It has a dominant market share in some products such as baby bottles where it has 76% of the market. The outlook for the Japanese market is muted in the long term due to the falling population but recently its domestic sales have been boosted by demand from inbound tourists. So, Pigeon is using its Japanese business as a cash cow to invest in Asia and over three-quarters of Pigeon's operating profits now come from overseas.



Keyence
Shin-Etsu Chemical
Tokyo Electron
SMC
Nidec
FANUC
MISUMI
Sumco
Mitsubishi Electric
Mabuchi Motor
Topcon

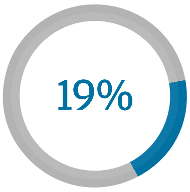
Automation

Wages in China, the workshop of the world, have increased 2.8 times in the last ten years. Although this is good news for consumption, it is also affecting the profitability of companies that produce there. To cope with this margin pressure some companies are increasingly automating production; others are shifting production nearer to the end consumers in the West. To do this profitably also requires automation. Japanese companies are the leaders in factory automation with several being the global number one in their respective fields.

Highlighted Company:

Keyence

Keyence is a factory automation business that manufactures sensors. It is experiencing rapid growth all over the world as demand rises for its products. Indeed, the percentage of overseas sales has increased from 25% to over 50% in the past few years. Keyence also has one of the highest operating margins of any industrial company anywhere in the world at over 55%. We believe the company is highly competitive with strong growth prospects for many years.



Mitsubishi UFJ Financial
Sumitomo Mitsui Financial
Tokio Marine
ORIX
Nippon Telegraph & Telephone
Sanwa
Japan Exchange
Nishimatsu Construction
Industrial & Infrastructure Fund Investment, REIT
Kokuyo

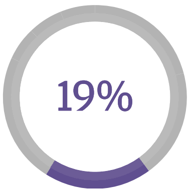
Improving Corporate Governance

The single most important change that has taken place in Japan over the last five years is the improvement in corporate governance. This began with the adoption of a stewardship code and was followed by a corporate governance code. As a result we have witnessed steady increases in both dividends and share buybacks. We also note the rise in the number of outside directors that sit on company boards as well as more companies officially stating return on equity and/or return on asset targets. Although the pace of change is moderate, we believe it will endure and could help Japanese equities start to close the discount that they trade on versus other developed markets.

Highlighted Company:

Tokio Marine

Tokio Marine is Japan's number one non-life insurance company. The top three companies in this sector have an overwhelming 90% domestic market share and we believe the industry is an oligopoly. We are witnessing significant improvements in corporate governance in this sector. Tokio Marine has increased its dividend per share almost fourfold over the last ten years while the number of shares outstanding has decreased by over 10%.



SoftBank
Start Today
Recruit
CyberAgent
Trend Micro
MonotaRO
Otsuka
Infomart
GLP J-REIT
Nippon Prologis REIT
GMO Payment Gateway
Lifull

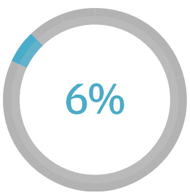
Internet

Although Japan is very advanced in some areas it, perhaps surprisingly, lags in others. E-commerce is a prime example of this. The penetration of online shopping is lower than in many developed nations but, importantly, growth rates are higher. Japan is following exactly the same pattern as countries like the United Kingdom. This allows us to look at business models that have been successful in other markets and find Japanese equivalents.

Highlighted Company:

Start Today

Start Today operates a website called Zozo Town which sells clothing. The penetration of online apparel is much lower in Japan at less than 10% versus approximately 25% in the United Kingdom. However, it is enjoying rapid growth from this lower base. Its business model is somewhat similar to ASOS and Zalando in Europe. The latter two have three times the number of brokerage analysts covering them and trade on significantly higher valuations. We believe that Start Today has a longer growth runway due to the market being at an earlier stage of development. It also has significantly higher profit margins than its overseas peers. As such we believe these lower valuations are not justified.



M3
Nippon Shinyaku
Asahi Intecc
Peptidream
Sosei
SanBio
Sysmex

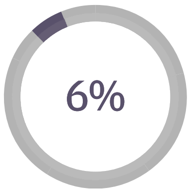
Healthcare

Around the world people are living longer. More illnesses are becoming treatable and procedures are becoming less risky. People living longer and healthier lives is a good thing but over the long term it also means that healthcare costs will continue to rise for governments.

Highlighted Company:

Asahi Intecc

Asahi Intecc is the global number one manufacturer of guidewire which is used in non-invasive heart surgery, an increasingly common procedure in emerging markets such as the Middle East and China. It is a substantially safer and cheaper procedure than open heart surgery with much reduced recovery times. Japan is the leader in non-invasive techniques with almost all procedures being carried out in this way but in markets such as the US and China there is still significant room for growth.



Nifco
Seria
Suruga Bank
SHO-BOND
Taiheiyo Cement
Park24

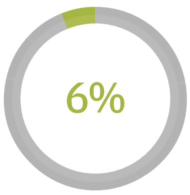
Stock Specific

Of course, not all the companies we like have exposure to these themes. We also see companies with specific products, circumstances or management we believe offer the potential for attractive long term returns.

Highlighted Company:

Seria

Seria is a 100 yen shop operator similar to a pound store in the UK or dollar store in the US. The per capita penetration of such stores in Japan is still low versus the United States. Seria is the fastest growing company in the market. We believe its advanced inventory management system is a strong source of durable competitive advantage. Additionally, we think that 100 yen shops are relatively more insulated from the growth of e-commerce due to the low absolute prices of the items and high shipment costs.



Nihon M&A Center
Cosmos Pharmaceutical
Persol
Sundrug
Obic

Ageing Population

Japan's population is ageing and falling. Today there are 127 million people living in Japan but by 2050 this will have fallen to around 95 million. The demographic mix will also shift with older people accounting for an increasingly large percentage of the total. It is important to understand that not only Japan faces this problem but many other countries including China, Korea, Thailand, Russia and Italy as well. Clearly, this is bad news for many companies with a domestic bias as demand for their products will drop in the long term. It is, however, good news for a small number of companies. This presents an outstanding opportunity for active managers to eschew the many and focus on the small number of corporates that will enjoy a strong following for many years to come.

Highlighted Company:

Nihon M&A Center

If we look at the Japanese drugstore market as an example, the top ten companies have approximately 30% market share. The remaining 70% is made up of the 'mom and pop' stores, the key feature of these companies being that many have no children to take over the business.This is in contrast to around 60% of the market held by the top two (Boots and Superdrug) in the UK. Nihon M&A Center advises companies in this position and matches them with larger partners. There are approximately 120,000 profitable companies in this situation yet Nihon M&A Center currently executes circa 1,000 deals per year. The industry offers multi-year growth with Nihon M&A Center as the largest participant ideally placed to capitalise on consolidation of the sector.

Investment Performance

The themes to which the portfolio is exposed have not changed during the year under review. The financial characteristics of the portfolio are also unchanged: balance sheets and free cash flows are stronger; earnings growth faster and return on equity higher than the market as a whole. For example, as at 30th September 2017 the holdings in the portfolio generated an average return on equity of 16.6%, compared to the benchmark return on equity of 10.7%. The ageing population means that the shortage of workers in Japan is a structural issue.

We did, however, make some changes to the holdings in the portfolio in the first half of the year. The most noteworthy were the increase in our exposure to financial stocks and to companies in the recruitment industry.

The ageing population means that the shortage of workers in Japan is a structural issue

We bought Mitsubishi UFJ Financial Group and Sumitomo Mitsui Financial Group due to their increasing focus on shareholder returns and unwinding of cross-shareholdings. The ageing population means that the shortage of workers in Japan is a structural issue – the labour market is currently the tightest since the 1970s – and companies such as Persol Holdings, which is steadily taking market share, stand to benefit. Recruit is also involved in recruitment but is more global in reach as it operates the world's number one employment website called 'indeed'. We also bought a holding in cosmetics company Shiseido. After several years of struggling to restructure we believe the new management is finally succeeding in turning the company's fortunes around. Finally we initiated a position in internet and telecoms company SoftBank. The combined value of its holdings in Alibaba, Sprint, Yahoo Japan, ARM Holdings and its own Japanese telecoms business are substantially below its own market value. We are positive about the long term investment strategy of the company which focuses firmly on long term structural growth areas.

Start Today, Keyence and Nihon M&A Center are discussed above. In addition the top contributing stocks included:

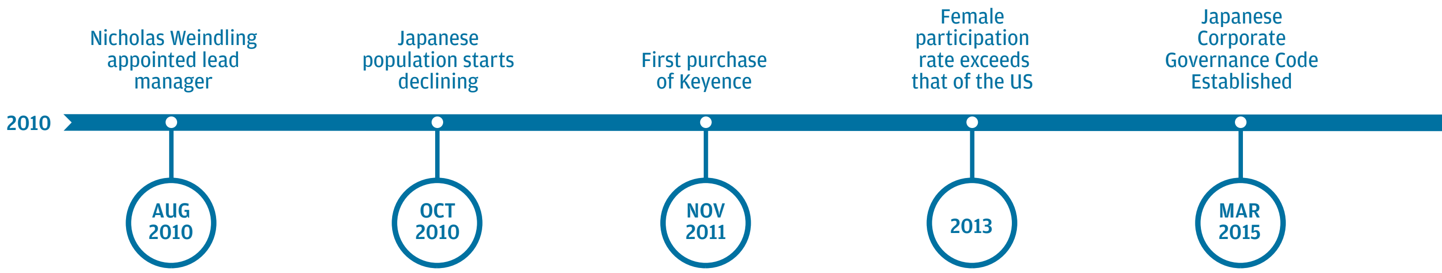
- **Tokyo Electron** – a semiconductor manufacturing equipment maker with dominant market share in many segments. The large and growing installed customer base should increase high margin servicing related sales. It is also prioritising shareholder returns.
- **Suzuki Motor** – a car and motorcycle manufacturer. While we are underweight the automobile sector because we think the industry faces structural challenges and is highly competitive, we are focusing on manufacturers with clear niches. Suzuki has a 45% market share in India where car penetration is still very low by global standards with only 4% of people owning a car. Its large dealer and service networks are sources of sustainable competitive advantage as it has three times the number of outlets of the nearest competitor.

Top contributing stocks included Start Today, Tokyo Electron, Suzuki Motor, Keyence and Nihon M&A Center.

The table on page 13 shows that a proportion of underperformance over the period came from stock selection. We believe that even good companies that have strong long term prospects and generate long term outperformance will experience periods when they underperform. Unless stocks held have become overvalued or the investment case has altered, we will continue to hold positions through periods of underperformance in the expectation of improvements in performance over the longer term.

Stocks that contributed negatively to performance included M3, Sosei, CyberAgent, Subaru and Mitsubishi UFJ Financial Group. Except for Subaru we continue to hold all of these companies as we do not believe there have been any changes to the long term investment cases:

- **M3 –** operates websites used by doctors and helps pharmaceutical companies to reduce their marketing expenses. It is the number one site in Japan and the United Kingdom amongst other regions. It is a globally unique business with top class management.



- **Sosei** – a biotechnology company. Earnings have fallen substantially this year due to the absence of a one-time royalty payment but this has no bearing on the long term profit growth potential. Our long term thesis is unchanged.
- **Cyber Agent** – Japan's number one online advertising agency. It also operates games for mobile phones and is investing in online television. The penetration of online advertising in Japan is lower than other developed markets and CyberAgent continues to take market share in a growing market. It is currently investing heavily for future growth and this is depressing short term earnings.
- **Subaru** – a niche automaker that has successfully taken share over many years in its key market of the United States. We held the stock for several years but decided to sell as we have become more concerned about the outlook for the auto industry.
- **Mitsubishi UFJ Financial Group** – Japan's largest financial institution. It is ahead of other banks in both the strength of its balance sheet and prioritising shareholder returns.

Investment performance was also impacted during the year by our underweight positions in Hitachi, Panasonic, Asahi Kasei, Kirin and Dai-ichi Life. These companies made significant contributions to the performance of our benchmark index, TOPIX. We believe that Hitachi, Panasonic and Asahi Kasei are overly diversified conglomerates with few market dominant companies and Kirin and Dai-ichi have no compelling long term growth drivers. As a result we have chosen not to take an investment position

PERFORMANCE ATTRIBUTION

YEAR ENDED 30TH SEPTEMBER 2017

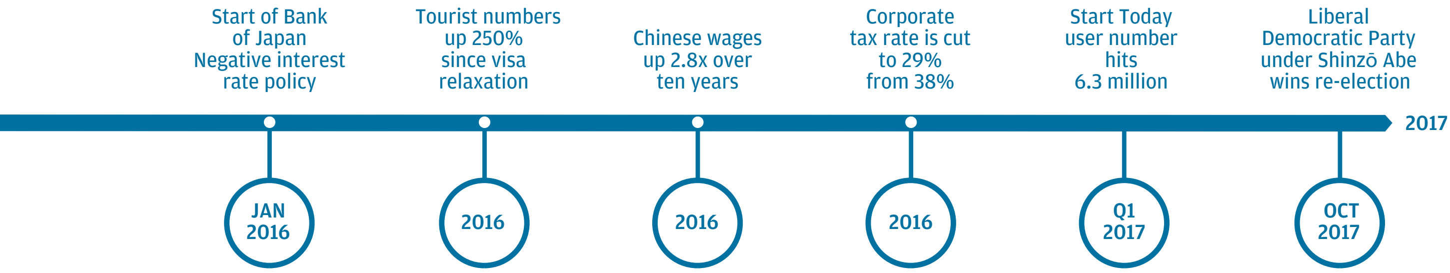
	%	%
Contributions to total returns		
Benchmark return		12.2
Sector allocation	-0.8	
Stock selection	-4.3	
Gearing/cash	3.3	
Investment Manager contribution		-1.8
Portfolio total return		10.4
Management fee/other expenses	-0.7	
Other effects		-0.7
Return on net assets		9.7

Source: JPMAM and Morningstar.

All figures are on a total return basis.

Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark.

A glossary of terms and alternative performance measures is provided on page 72.



The long term outlook for the Japanese equity market is positive

Investment outlook

The Japanese equity market is more cyclical than other developed markets and can more easily be impacted by global economic developments, both positively and negatively. The current outlook is positive; government policy is supportive, the global economy is improving and companies continue to talk about return on equity and increasing returns to shareholders. The October election victory of the Liberal Democratic Party ensured another term for Prime Minister Shinzō Abe. Stable leadership is unusual in Japan and should be helpful as he is expected to be able to continue with his reform programme. Currently there are concerns about rising tensions with North Korea. However, we believe the overall picture is encouraging.

The JPMorgan Japanese Investment Trust focuses on individual stocks rather than attempting to predict global economic growth. The companies we have invested in have strong structural growth prospects, competitive positions and balance sheets and we believe they will perform well in the long term, regardless of the twists and turns of the wider global economy. The level of gearing (currently 12.50%) reflects our conviction in the companies that we own.

Nicholas Weindling
Shoichi Mizusawa
JPMorgan Asset Management
Tokyo 13th November 2017

TEN LARGEST INVESTMENTS

AS AT 30TH SEPTEMBER

Company	Sector	2017 Valuation £'000	2017 Valuation %[1]	2016 Valuation £'000	2016 Valuation %[1]
Keyence	Electric Appliances	35,155	4.6	30,599	4.5
Mitsubishi UFJ Financial[3]	Banks	31,698	4.1	-	-
SoftBank[3]	Information & Communication	26,848	3.5	-	-
Suzuki Motor[2]	Transportation Equipment	23,913	3.1	14,493	2.1
Start Today[2]	Retail Trade	22,246	2.9	14,037	2.1
Shin-Etsu Chemical[2]	Chemicals	21,342	2.8	14,055	2.1
Recruit[3]	Services	20,617	2.7	-	-
Tokyo Electron[2]	Electric Appliances	19,869	2.6	9,831	1.4
Sumitomo Mitsui Financial[3]	Banks	19,371	2.5	-	-
Daikin Industries[2]	Machinery	19,131	2.5	15,451	2.3
Total		**240,190**	**31.3**		

[1] Based on the total portfolio investments of £771.1m (2016: £683.9m).

[2] Not included in the ten largest investments at 30th September 2016.

[3] Not held in the Portfolio as at 30th September 2016.

At 30th September 2016, the value of the ten largest investments amounted to £190.3m representing 27.8% of total portfolio investments.

SECTOR ANALYSIS

	30th September 2017				30th September 2016			
	Portfolio %[1]		Benchmark %		Portfolio %[1]		Benchmark %	
Processing		**54.9**		**50.0**		**49.6**		**48.7**
Electric Appliances	14.5		13.4		13.5		12.2	
Services	11.2		4.1		9.3		3.9	
Information & Communications	9.7		7.8		8.3		8.5	
Machinery	6.8		5.4		6.8		5.0	
Transportation Equipment	4.9		8.9		5.4		9.4	
Other Products	3.4		2.2		3.2		2.0	
Precision Instruments	1.8		1.6		1.3		1.5	
Wholesale Trade	1.5		4.6		1.2		4.4	
Glass & Ceramics Products	0.7		1.0		–		0.9	
Rubber Products	0.4		1.0		0.6		0.9	
Financial		**14.4**		**12.2**		**7.8**		**12.1**
Banks	7.8		7.6		1.4		7.5	
Other Financing Business	4.2		1.3		4.0		1.3	
Insurance	2.4		2.3		2.4		2.3	
Security & Commodity Futures	–		1.0		–		1.0	
Basic		**13.4**		**8.8**		**14.1**		**8.0**
Chemicals	9.2		7.1		11.2		6.4	
Metal Products	4.2		0.7		2.9		0.7	
Non-Ferrous Metals	–		1.0		–		0.9	
Consumer		**13.1**		**16.7**		**23.8**		**18.5**
Retail Trade	9.6		4.6		12.5		4.9	
Pharmaceuticals	2.8		4.5		5.0		5.5	
Food	0.7		4.4		6.3		5.0	
Other Consumer	–		3.2		–		3.1	
Assets		**4.2**		**5.6**		**4.7**		**5.6**
Real Estate	2.6		2.3		3.1		2.5	
Construction	1.6		3.3		1.6		3.1	
Utilities		**–**		**6.7**		**–**		**7.1**
Total		**100.0**		**100.0**		**100.0**		**100.0**

[1] Based on the total portfolio investments of £771.1m (2016: £683.9m).

LIST OF INVESTMENTS BY SECTOR

Company	Valuation £'000
PROCESSING	
Electric Appliances	
Keyence	35,155
Tokyo Electron	19,869
Nidec	16,083
FANUC	13,756
Sony	9,762
Mitsubishi Electric	8,402
Mabuchi Motor	6,475
Sysmex	2,507
	112,009
Services	
Recruit	20,617
M3	16,809
CyberAgent	15,126
Nihon M&A Center	15,101
Infomart	7,284
Persol	7,267
Lifull	4,238
	86,442
Information & Communications	
SoftBank	26,848
Nippon Telegraph & Telephone	16,019
Trend Micro	12,662
Otsuka	7,624
Obic	6,638
GMO Payment Gateway	4,809
	74,600
Machinery	
Daikin Industries	19,131
SMC	16,327
Miura	6,954
Hoshizaki	5,724
Tadano	3,927
	52,063
Transportation Equipment	
Suzuki Motor	23,913
Isuzu Motors	8,527
Shimano	5,184
	37,624

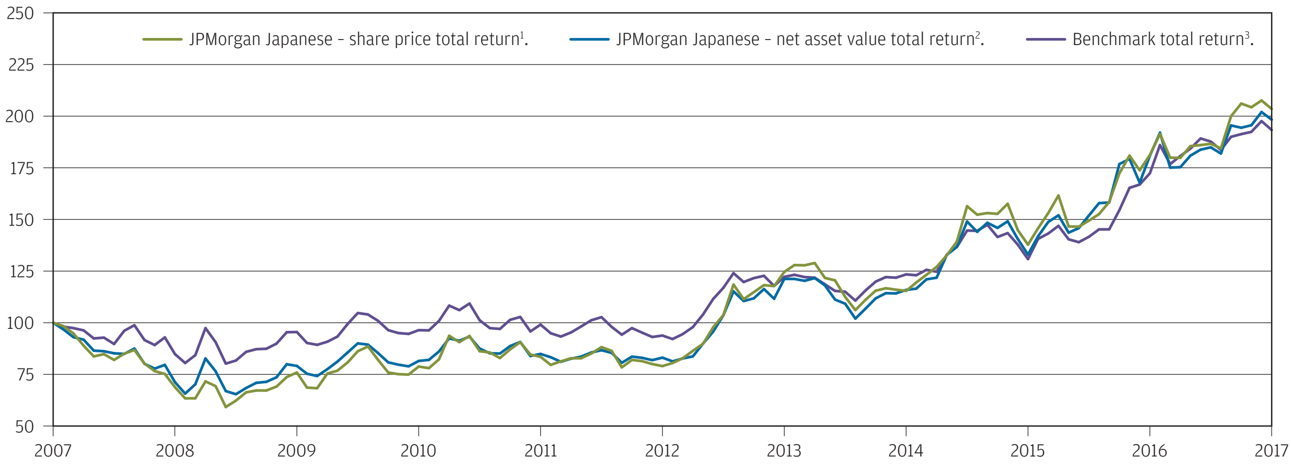
Company	Valuation £'000
PROCESSING – CONT	
Other Products	
Nintendo	13,564
Pigeon	10,430
Kokuyo	2,303
	26,297
Precision Instruments	
Asahi Intecc	6,973
Topcon	4,215
Nakanishi	2,974
	14,162
Wholesale Trade	
MISUMI	11,819
	11,819
Glass & Ceramics Products	
Taiheiyo Cement	5,101
	5,101
Rubber Products	
Okamoto Industries	3,194
	3,194
FINANCIAL	
Banks	
Mitsubishi UFJ Financial	31,698
Sumitomo Mitsui Financial	19,371
Suruga Bank	9,225
	60,294
Other Financing Business	
ORIX	17,912
Japan Exchange	14,605
	32,517
Insurance	
Tokio Marine	18,158
	18,158
BASIC	
Chemicals	
Shin-Etsu Chemical	21,342
Shiseido	12,688
Kao	12,284
Nifco	10,756
Nippon Paint	8,132

Company	Valuation £'000
BASIC – CONT	
Lion	5,845
	71,047
Metal Products	
Sanwa	15,038
Sumco	11,684
Rinnai	5,899
	32,621
CONSUMER	
Retail Trade	
Start Today	22,246
Don Quijote	13,685
Cosmos Pharmaceutical	11,634
Seria	9,884
MonotaRO	9,433
Sundrug	7,113
	73,995
Pharmaceuticals	
Nippon Shinyaku	8,238
PeptiDream	6,493
Sosei	4,206
SanBio	2,674
	21,611
Food	
Kewpie	5,633
	5,633
ASSETS	
Real Estate	
GLP J-REIT	5,773
Nippon Prologis REIT	5,697
Park24	4,931
Industrial & Infrastructure Fund Investment, REIT	3,023
	19,424
Construction	
SHO-BOND	7,908
Nishimatsu Construction	4,624
	12,532
TOTAL INVESTMENTS	**771,143**

The portfolio comprised only equity investments.

TEN YEAR PERFORMANCE

FIGURES HAVE BEEN REBASED TO 100 AT 30TH SEPTEMBER 2007



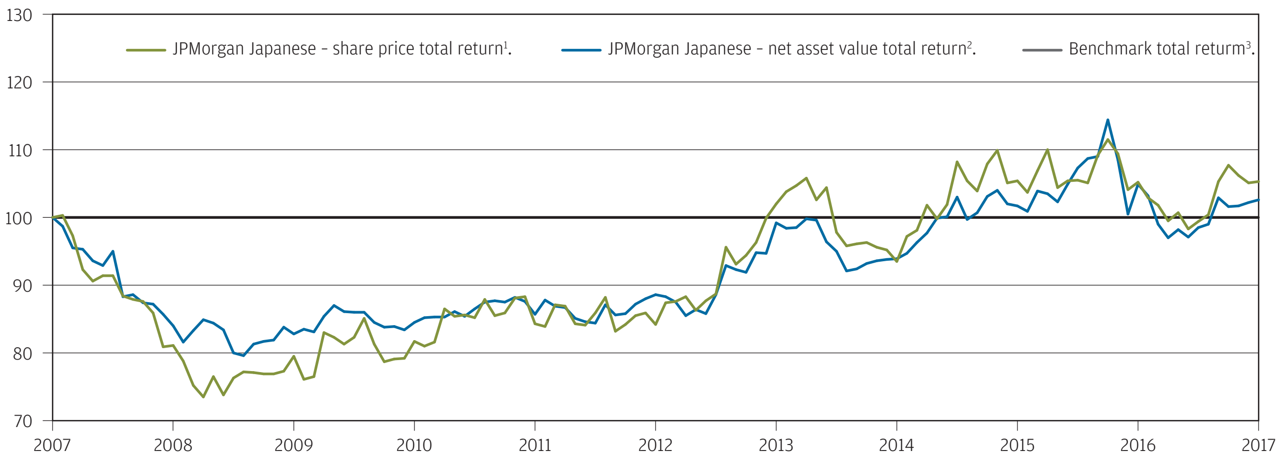
[1] Source: Morningstar.

[2] Source: Morningstar/J.P.Morgan, cum income net asset value. Prior to 30th June 2008, capital only net asset value.

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

TEN YEAR PERFORMANCE RELATIVE TO BENCHMARK

FIGURES HAVE BEEN REBASED TO 100 AT 30TH SEPTEMBER 2007



[1] Source: Morningstar.

[2] Source: Morningstar/J.P.Morgan, cum income net asset value. Prior to 30th June 2008, capital only net asset value.

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

TEN YEAR FINANCIAL RECORD

At 30th September	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total assets less current liabilities (£'m)	431.8	298.1	315.7	306.1	326.6	302.1	494.8	408.4	513.2	693.2	778.2
Net asset value per share (p)	244.3	171.3	185.9	189.6	194.7	187.3	267.8	253.3	287.5	387.5	421.0
Share price (p)	214.5	145.5	157.0	160.0	166.8	154.5	238.3	218.0	257.3	335.0	372.0
Discount (%)	12.2	15.1	15.5	15.6	14.3	17.5	11.0	13.9	10.5	13.5	11.6
Gearing/(net cash) (%)	12.3	8.0	7.6	(1.8)	(0.6)	9.0	13.7	12.7	6.4	9.5	13.6
Yen exchange rate (=£1)	234.3	189.2	143.2	131.6	120.1	125.6	158.9	177.8	181.4	131.5	151.0
Year ended 30th September											
Gross revenue attributable to shareholders (£'000)	7,068	7,160	7,596	6,138	7,323	8,121	6,041	5,715	6,970	8,725	11,640
Revenue return per share (p)	2.96	2.97	2.96	2.91	3.49	4.10	2.78	2.46	3.06	3.97	5.52
Dividend per share (p)	2.80	2.80	2.80	2.80	3.30	3.65	2.80	2.80	2.80	3.65	5.00
Ongoing charges (%)	0.75	0.79	0.77	0.81	0.86	0.77	0.78	0.78	0.77	0.74	0.69
Rebased to 100 at 30th September 2007											
Share price total return[1]	100.0	68.8	75.9	78.8	83.5	79.0	124.6	115.4	137.8	181.2	203.5
Net asset value total return[2]	100.0	71.2	79.1	81.5	84.9	83.1	121.2	115.9	133.0	180.8	198.3
Benchmark total return[3]	100.0	84.8	95.5	96.4	99.1	93.8	122.2	123.4	130.8	172.3	193.3

[1] Source: Morningstar.

[2] Source: Morningstar/J.P. Morgan, cum income net asset value. Prior to 30th June 2008, capital only net asset value.

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

A glossary of terms and alternative performance measures is provided on page 72.

The aim of this Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report sets out the investment objective of the Company, its investment policies and risk management, investment restrictions and guidelines, performance, total return, revenue and dividends, key performance indicators, principal risks and how the Company seeks to manage those risks and its long term viability. The Directors' Report on pages 25 to 34 includes information on Employees, Social, Environmental, Community and Human Rights Issues, Greenhouse Gas Emissions and Board Diversity and also forms part of this Strategic Report.

Investment Objective

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

Investment Policies and Risk Management

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

Investment Restrictions and Guidelines

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

- The Company must maintain 97.5% of investments in Japanese securities or securities providing an indirect investment in Japan. (30th September 2017: 100%).
- No investment to be more than 5% in excess of benchmark weighting at time of purchase. (30th September 2017: 3.40%).
- The Company does not normally invest in unquoted investments and to do so requires prior Board approval. (30th September 2017: nil).
- The Company's gearing policy is to operate within a range of 5% net cash to 20% geared in normal market conditions. (30th September 2017: 13.60%).
- The Company does not normally enter into derivative transactions and to do so requires prior Board approval. (30th September 2017: nil).
- The Company will not invest more than 15% of its gross assets in other UK listed investment companies and will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies. (30th September 2017: nil).
- The Investment Managers do not hedge the portfolio against foreign currency risk.

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

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

Performance

In the year ended 30th September 2017, the Company produced a total return to shareholders of +12.3% and a total return on net assets of +9.7%. This compares with the return on the Company's benchmark of +12.2%. As at 30th September 2017, the value of the Company's investment portfolio was £771.1 million. The Investment Managers' Report on pages 8 to 14 includes a review of developments during the year as well as information on investment activity within the Company's portfolio and the factors likely to affect the future performance of the Company.

Total Return, Revenue and Dividends

Gross total return for the year amounted to £66.6 million (2016: £171.3 million) and the net total return after deducting the management fee, other administrative expenses, finance costs and taxation, amounted to £60.0 million (2016: £165.7 million). Distributable income for the year amounted to £8.9 million (2016: £6.4 million).

The Directors have declared a final dividend of 5.00p (2016: 3.65p) per share. This dividend amounts to £8.1 million (2016: £5.9 million) and the revenue reserve after allowing for the dividend will amount to £3.7 million (2016: £2.8 million). The dividend will be subject to shareholder approval at the forthcoming Annual General Meeting.

Key Performance Indicators ('KPIs')

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

- **Performance against the benchmark index**
  This is the most important KPI by which performance is judged. Information on the Company's performance is given in the Chairman's Statement and the Investment Managers'

Report on pages 6 to 7 and 8 to 14 respectively, and the Ten Year Financial Record on page 19.

- **Performance against the Company's peers**
  Whilst the principal objective is to achieve capital growth relative to the benchmark, the Board also monitors the performance relative to a broad range of competitor funds.

- **Performance attribution**
  The purpose of performance attribution analysis is to 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 sector allocation, stock selection and gearing. Details of the attribution analysis for the year ended 30th September 2017 are given in the Investment Managers' Report on page 13.

- **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 and can discourage investors. The Board therefore has a discount management policy that, whilst it does not intervene in the market on a regular basis, will see it look to buy back shares if the discount widens materially relative to its peer group. In the year to 30th September 2017, the shares traded between a discount of 7.6% and 16.5% at an average of 12.0%.

- **Ongoing charges**
  The ongoing charges represent the Company's management fee and all other operating expenses excluding any finance costs, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ended 30th September 2017 were 0.69% (2016: 0.74%). Each year the Board reviews an analysis which shows a comparison of the Company's ongoing charges and its main expenses against those of its peers.

Principal Risks

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

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

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

  The Board manages these risks by diversification of investments and through its investment restrictions and guidelines, which are monitored and reported on by the Manager. The Manager provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, at least one of whom attends all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing tactically, within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.

- **Market and Currency**
  Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments in the face of negative market movements. The Board considers sector allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Manager. The Board monitors the implementation and results of the investment process with the Manager. The majority of the Company's assets, liabilities and income are denominated in yen rather than in the Company's functional currency of sterling (in which it reports). As a result, movements in the yen:sterling exchange rate may affect the sterling value of those items and therefore impact on reported results and/or financial position. Therefore, there is an inherent risk from these exchange rate movements. It is the Company's policy not to undertake foreign currency hedging. Further details about the foreign currency risk may be found in note 22 on page 60.

- **Political, Economic and Governance**
  Administrative risks, such as the imposition of restrictions on the free movement of capital. These risks are discussed by the Board on a regular basis.

- **Loss of Investment Team or Investment Manager**
  A sudden departure of an Investment Manager or several members of the investment management team could result in a short term deterioration in investment performance. 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, as well as special efforts to retain key personnel. The Board engages with the senior management of the Manager in order to mitigate this risk.

- **Discount**
  A disproportionate widening of the discount relative to the Company's peers could result in loss of value for shareholders. The Board regularly discusses discount policy

and has set parameters for the Manager and the Company's broker to follow.

- **Change of Corporate Control of the Manager**
  The Board holds regular meetings with senior representatives of the Manager in order to obtain assurance that the Manager continues to demonstrate a high degree of commitment to its investment trust business through the provision of significant resources.

- **Accounting, Legal and Regulatory**
  In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given under Management of the Company on page 25. Were the Company to breach Section 1158, it may lose investment trust status and, as a consequence, gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by the Manager and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, since its shares are listed on the London Stock Exchange, the UKLA Listing Rules, Market Abuse Regulation ('MAR'), Disclosure Guidance and Transparency Rules ('DTRs') and, as an investment trust, the Alternative Investment Fund Managers Directive ('AIFMD'). A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs could result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, the Manager and its professional advisers to ensure compliance with the Companies Act 2006, the UKLA Listing Rules, DTRs, MAR and AIFMD.

- **Corporate Governance and Shareholder Relations**
  Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement on pages 29 to 32.

- **Operational and Cyber Crime**
  Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the Depositary or Custodian's records may prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMF and its associates and the key elements designed to provide effective risk management and internal control are included within the Risk Management and Internal Controls section of the Corporate Governance Statement on pages 31 and 32. The threat of cyber attack, in all guises, is regarded as at least as important as more traditional physical threats to business continuity and security.

- **Financial**
  The financial risks faced by the Company include market price risk, liquidity risk and credit risk. Further details are disclosed in note 22 on pages 59 to 64.

Long Term Viability

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

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

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

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

13th November 2017

Directors' Review

Andrew Fleming (Chairman, Chairman of the Nomination and Remuneration Committee and Chairman of the Management Engagement Committee)

Director since 2004.

Last reappointed to the Board: 2016.

He has over thirty years of international investment management experience, which included six years running an investment company in Tokyo and is Chief Executive of Waverton Investment Management. Mr Fleming is a member of the Investment Committee of the National Trust.

Connections with Manager: None.

Shared directorships with other Directors: None.

Stephen Cohen

Director since 2016.

Became a member of the Board: 2016.

Had an executive career in asset management of over 34 years, including setting up two businesses in Japan and living there for seven years. He managed Japanese equity portfolios for ten years. He also latterly ran a Japanese equity activist business. Currently, he is also a member of the Gambling Commission and the Health and Care Professions Council.

Connections with Manager: None.

Shared directorships with other Directors: None.

Christopher Samuel

Director since 2014.

Last reappointed to the Board: 2016.

Currently Chairman of Defaqto and BlackRock Throgmorton Trust plc and a non-executive Director of Alliance Trust plc, Sarsin Partners LLP, UIL Limited, and The London Community Foundation. Mr Samuel was previously Chief Executive Officer of Ignis Asset Management. He has considerable experience of the investment management industry and he was based in Japan earlier in his career. He is a Chartered Accountant.

Connections with Manager: None.

Shared directorships with other Directors: None.

George Olcott

Director since 2016.

Became a member of the Board: 2016.

15 years of investment banking and asset management business experience in Japan and Asia with SG Warburg/UBS. Has served on the boards of five listed Japanese corporations as an independent director (currently for Denso Corporation, Dai-ichi Life Insurance and Hitachi Chemical). Dr Olcott is Guest Professor at Keio University in Tokyo teaching international management and organisational behaviour.

Connections with Manager: None.

Shared directorships with other Directors: None.

Sir Stephen Gomersall, KCMG

Director since 2013.

Last reappointed to the Board: 2016.

Deputy Chairman of Hitachi Europe and a director of a number of Hitachi Group companies in the UK. Sir Stephen entered the Foreign & Commonwealth Office in 1970 and held a number of appointments overseas including being Ambassador to Japan from 1999 to 2004. He has spent more than fourteen years living and working in Japan.

Connections with Manager: None.

Shared directorships with other Directors: None.

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

The Directors present their annual report and the audited financial statements for the year ended 30th September 2017.

Management of the Company

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

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

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

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

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

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

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

The Alternative Investment Fund Managers Directive ('AIFMD')

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

The Company has appointed BNY Mellon Trust and Depositary (UK) 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 are available on the Company's website at www.jpmjapanese.co.uk

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

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

Management Fee

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

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

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

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

Directors

Alan Barber and Keith Percy retired from the Board at the Annual General Meeting on 20th December 2016 and Stephen Cohen and George Olcott were appointed as Directors on the same day. The Directors of the Company who held office at the end of the year are detailed on page 24. Details of their beneficial shareholdings may be found in the Directors' Remuneration Report on page 37.

Andrew Fleming, having been a Director for more than nine years, will retire and seek reappointment as a Director of the Company. Stephen Cohen and George Olcott, as newly appointed Directors, will also seek reappointment as Directors of the Company at the Annual General Meeting. In accordance with corporate governance best practice, all continuing Directors will retire at the Company's forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment by shareholders. Therefore Sir Stephen Gomersall and Christopher Samuel will also seek reappointment at the Annual General Meeting.

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

Director Indemnification and Insurance

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

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

Disclosure of information to the Auditors

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

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

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

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

Independent Auditors

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

Share Capital Structure and Voting Rights

As at 30th September 2017, the Company's issued share capital comprised 161,248,078 (2016: 161,248,078) ordinary shares of 25p each. There were no shares held in Treasury.

The Company has the authority to repurchase shares in the market for cancellation (or to be held in Treasury) and to issue new shares for cash on behalf of the Company. During the year the Company did not repurchase any ordinary shares (2016: nil). No shares have been repurchased for cancellation or into Treasury since the year end. The Company did not issue any new shares during the year.

Resolutions to renew the authorities to issue new shares or reissue shares from Treasury, and to repurchase shares for cancellation or to be held in Treasury will be put to shareholders at the forthcoming Annual General Meeting. It should be noted that the Board would only reissue shares from Treasury at a premium to NAV. It is not seeking authority to reissue shares from Treasury at a discount to NAV. The full text of these resolutions is set out in the Notice of Meeting on pages 69 to 70.

Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of Annual General Meeting on page 71.

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

Notifiable Interests in the Company's Voting Rights

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

Shareholders	Number of voting rights	%
Lazard Asset Management[1]	33,859,910	20.99
1607 Capital Partners[1]	20,110,799	12.47
Wells Capital Management, Inc	16,951,889	10.51
Rathbone Brothers[1]	8,688,518	5.39
Derbyshire County Council[1]	7,730,000	4.79

[1] Indirect holding.

As at 3rd November 2017 Wells Capital Management, Inc had a notifiable interest in 11.94% of the voting rights of the Company. No further changes have been notified since the year end to the date of this report.

The Company is also aware that as at 30th September 2017, approximately 2.31% of the Company's total voting rights were held by individuals through the savings products managed by JPMorgan Asset Management and registered in the name of Chase Nominees Limited as at the year end. If those voting rights are not exercised by the beneficial holders, in accordance with the terms and conditions of the savings products, under certain circumstances, JPMorgan Asset Management has the right to exercise those voting rights. That right is subject to certain limits and restrictions and falls away at the conclusion of the relevant general meeting.

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

Listing Rule 9.8.4R

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

Board Diversity

The Board's policy on diversity, including gender, is to take account of the benefits of these during the appointment process. However, the Board remains committed to appointing the most appropriate candidate, regardless of gender or other forms of diversity. Therefore, no targets have been set against which to report.

At 30th September 2017, there were five male Directors and no female Directors on the Board.

Employees, Social, Environmental, Community and Human Rights Issues

The Company is managed by JPMF, has no employees and all of its Directors are non-executive. There are therefore no disclosures to be made in respect of employees. The Board notes the policy statements of JPMorgan Asset Management (UK) Limited ('JPMAM') in respect of Social, Community, Environmental and Human Rights issues, which are shown in italics below.

"JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry.

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. Our detailed approach to how we implement the principles is available on request."

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

The Modern Slavery Act 2015 (the 'MSA')

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

Criminal Corporate Offence

The Company has zero tolerance for tax evasion. Shares in the Company are purchased through intermediaries or brokers, therefore no funds flow directly into the Company. As the Company has no employees, the Board's focus is to ensure that the risk of the Company's service providers facilitating tax evasion is also low. To this end it is seeking assurance from its service providers that effective policies and procedures are in place.

Annual General Meeting

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

Resolutions relating to the following item of special business will be proposed at the forthcoming Annual General Meeting. The full text of the resolutions is set out in the Notice of Annual General Meeting on pages 69 to 70.

(i) Authority to allot new 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 by way of a sale of Treasury shares up to an aggregate nominal amount of £2,015,600 such amount being equivalent to 5% of the present issued share capital (excluding Treasury shares) as at the last practicable date before the publication of this document or, if different, the number of ordinary shares which is equal to approximately 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 in 2018 unless renewed at a prior general meeting.

Resolution 12 will enable the allotment of shares otherwise than by way of a pro rata issue to existing shareholders. It is advantageous for the Company to be able to issue new shares (or to sell Treasury shares) to participants purchasing shares through the JPMorgan savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. Any such issues would only be made at prices greater than the net asset value ('NAV'), thereby increasing the NAV per share and spreading the Company's administrative expenses, other than the management fee which is charged on the value of the Company's net assets, over a greater number of shares. The issue proceeds would be available for investment in line with the Company's investment policies. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

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

(ii) Authority to repurchase the Company's shares (resolution 13)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2016 Annual General Meeting, will expire on 19th June 2018, unless renewed prior to that time. The Directors consider that the renewal of the authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to their underlying NAV enhances the NAV of the remaining shares.

Resolution 13 gives the Company authority to repurchase its own issued shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to a maximum of 24,171,085 shares, representing approximately 14.99% of the Company's issued shares (being the latest practicable date prior to the publication of this document) or, if different, the number of ordinary shares which is equal to 14.99% of the Company's issued share capital (excluding Treasury shares) as at the date of the passing of the resolution. The authority also sets minimum and maximum prices.

If resolution 13 is passed at the Annual General Meeting, the Board may repurchase the shares for cancellation or hold them in Treasury pursuant to the authority granted to it for possible reissue at a premium to NAV.

Any repurchase will be at the discretion of the Board and will be made in the market only at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining shares, as and when market conditions are appropriate. The authority to repurchase shares will expire on 19th June 2018, but it is the Board's intention to seek renewal of the authority at the forthcoming Annual General Meeting.

Recommendation

The Board considers that resolutions 11 to 13 are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do, where voting rights are exercisable, in respect of their own beneficial holdings which amount in aggregate to 42,849 shares representing approximately 0.01% of the voting rights of the Company.

Corporate Governance Statement

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 34, indicates how the Company has applied the principles of good governance of the Financial Reporting Council's UK Corporate Governance Code (the 'UK Corporate Governance Code') and the Association of Investment Companies' Code of Corporate Governance (the 'AIC Code'), which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts.

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

Role of the Board

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

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

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

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

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

Board Composition

The Board, chaired by Andrew Fleming, consisted of five non-executive Directors during the year ended 30th September 2017, all of whom are regarded by the Board as independent of the Company's Manager. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 24.

There have been no changes to the Chairman's other significant commitments during the year under review.

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

Tenure

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

Any Directors with more than nine years' service are required to submit themselves annually for reappointment. In this regard, the Board recommends the reappointment of Andrew Fleming, who, having served in excess of nine years, retires and seeks reappointment as a Director at this year's AGM. Andrew Fleming has a wealth of experience in the financial sector and makes a valuable contribution to the workings of the Board. The Board considers that he demonstrates effective leadership of the Company.

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

Induction and Training

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

Meetings and Committees

The Board delegates certain responsibilities and functions to Committees. Details of membership of these Committees are shown with Directors' profiles on page 24.

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

Meetings Attended

Director	Board	Audit Committee	Nomination and Remuneration Committee	Management Engagement Committee
Alan Barber[1]	2	1	–	–
Stephen Cohen[2]	3	1	1	1
Andrew Fleming	5	2	1	1
Sir Stephen Gomersall	5	2	1	1
George Olcott[2]	3	1	1	1
Keith Percy[1]	2	1	–	–
Christopher Samuel	5	2	1	1

[1] Retired 20th December 2016.

[2] Appointed 20th December 2016.

Board Committees

Nomination and Remuneration Committee

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

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

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

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

Management Engagement Committee

The membership of the Management Engagement Committee consists of all the Directors and is chaired by Andrew Fleming. The Committee meets at least once a year to review the terms of the Management Agreement between the Company and the Manager, to review the performance of the Manager, to review the notice period that the Board has with the Manager and to make recommendations to the Board on the continued appointment of the Manager following these reviews.

Audit Committee

The report of the Audit Committee is set out on page 33.

Terms of Reference

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

Relations with Shareholders

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

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

During the year, the Company's brokers, the Investment Managers and JPMF hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to support these meetings and to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 75. The Chairman can also be contacted via the Company's website by following the 'Ask a Question' link at www.jpmjapanese.co.uk

The Company's annual report and accounts are published in time to give shareholders at least twenty working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 75.

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

Risk Management and Internal Control

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

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

Since investment management, custody of assets and all administrative services are provided to the Company by the Depositary and the Manager and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by the Depositary and the Manager and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal Risks on pages 21 and 22). This process has been in place for the year under review and up to the date of the approval of the annual report and accounts, and it accords with the Financial Reporting Council's guidance. Whilst the Company does not have an internal audit function of its own, the Board considers that it is sufficient to rely on the internal audit department of the Manager and regular direct reporting from the Depositary. This arrangement is kept under review.

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

- **Financial Reporting**

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

- **Management**

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

- **Management Systems**

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

- **Investment Strategy**

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

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

  - reviews the terms of the management agreement and receives regular reports from the Manager's Compliance department;

- reviews reports on the risk management and internal control and operations of its Depositary, BNY Mellon Trust & Depositary (UK) Limited, and its Custodian, JPMorgan Chase Bank, which are themselves independently reviewed; and
- reviews every six months an independent report on the risk management and internal controls and the operations of the Manager.

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended 30th September 2017 and to the date of approval of this annual report and financial statements.

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

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to the Manager. The following is a summary of the policy statements of JPMAM on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details of social and environmental issues are set out on page 27.

Corporate Governance

JPMAM 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 manages the voting rights of the shares entrusted to it as it would manage any other asset. It is the policy of JPMAM 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 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 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's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM'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.

Audit Committee Report

Composition and Role

The Audit Committee, chaired by Christopher Samuel, and whose membership is set out on page 24, meets at least twice each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. As a Chartered Accountant, Christopher Samuel has recent and relevant financial experience, and the Audit Committee as a whole has competence relevant to the sector.

Financial Statements and Significant Accounting Matters

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

The Audit Committee examines the effectiveness of the Company's internal control systems and receives information from the Manager's Compliance department. The Directors' statement on the Company's system of Risk Management and Internal Control is set out on pages 31 and 32.

During its review of the Company's financial statements for the year ended 30th September 2017, the Audit Committee considered the following significant issues, including those communicated by the Auditors during their reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1(b) to the accounts on page 49. Controls are in place to ensure that valuations are appropriate and existence is verified through Depositary and Custodian reconciliations. The Company has appointed BNY Mellon Trust and Depositary (UK) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Custodian. BNY remains responsible for the oversight of the custody of the Company's assets.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(c) to the accounts on page 49. The Board regularly reviews subjective elements of income such as special dividends and agrees their accounting treatment.
Compliance with Sections 1158 and 1159 Corporation Tax Act 2010	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st October 2012 has been obtained and ongoing compliance with the eligibility criteria is monitored on a regular basis.

Going Concern

The Directors believe that, having considered the Company's investment objective (see page 20), risk management policies (see pages 59 to 64), liquidity risk (see note 22(b) on page 63, capital management policies and procedures (see note 23 on page 65), the nature of the portfolio and revenue and expenditure projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence. For these reasons, the Directors consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the Company's financial statements. They have not identified any material uncertainties to the Company's ability to continue to do so over a period of at least 12 months from the date of approval of these financial statements.

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

Auditor Appointment and Tenure

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

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

As part of its review of the continuing appointment of the Auditors, the Audit Committee considered the length of tenure of the audit firm, its fee, its independence from JPMF and the Investment Managers and any matters raised during the audit. A formal tender exercise was undertaken in 2013, as a result of which PricewaterhouseCoopers LLP was appointed in place of Begbies. The Company's year ended 30th September 2017 is therefore the Audit Partner's fourth of a five year maximum term. The Board reviews and approves any non-audit services provided by the independent Auditors and assesses the impact of any non-audit work on the ability of the Auditors to remain independent. No such work was undertaken during the year. Details of the fees paid for audit services are included in note 6 on page 52.

Fair, Balanced and Understandable

Having taken all available information into consideration and having discussed the content of the annual report and financial statements with the Alternative Investment Fund Manager, Investment Managers, Company Secretary and other third party service providers, the Audit Committee has concluded that the annual report and financial statements for the year ended 30th September 2017, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy, and has reported these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 34.

Christopher Samuel
Chairman of the Audit Committee

13th November 2017

Statement of Directors' Responsibilities

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

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

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

and the Directors confirm that they have done so.

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

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

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

Each of the Directors, whose names and functions are listed on page 24, confirms that, to the best of their knowledge:

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

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

For and on behalf of the Board
Andrew Fleming
Chairman

13th November 2017

Director’s Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 30th September 2017, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 as amended.

The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Independent Auditors' Report is included in their report on pages 39 to 44.

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

Directors' Remuneration Policy

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

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

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

The current fees, which were effective from 1st October 2015, are paid at the following rates: Chairman £36,000; Chairman of the Audit Committee £29,500; and other Directors £25,000. The Company's Articles of Association (the 'Articles') provide that any increase in the maximum aggregate annual limit on Directors' fees, currently £200,000, requires both Board and shareholder approval. The Articles further provide that any Director who performs services which go beyond the ordinary duties of a director may be paid such additional remuneration as the directors may determine.

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

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on page 29.

Directors' Remuneration Policy Implementation

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

At the Annual General Meeting held on 20th December 2016, of votes cast in respect of the Remuneration Policy and Remuneration Report, 99.9% were in favour (or granted discretion to the Chairman who voted in favour) and 0.1% voted against. Abstentions were received from less than 0.1% of the votes cast. Details of the implementation of the Company's remuneration policy are given above.

Single total figure of remuneration

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

Single total figure table[1]

			2017			2016
		Taxable			Taxable	
	Fees	benefits[2]	Total	Fees	benefits[2]	Total
Directors' Name	£	£	£	£	£	£
Alan Barber[3]	6,493	–	6,493	29,500	–	29,500
Stephen Cohen[4]	19,565	–	19565	–	–	–
Andrew Fleming	36,000	–	36,000	36,000	–	36,000
Sir Stephen Gomersall	25,000	–	25,000	25,000	–	25,000
George Olcott[4]	19,565	–	19,565	–	–	–
Keith Percy[3]	5,503	41	5,544	25,000	37	25,037
Christopher Samuel	28,522	131	28,653	25,000	108	25,108
Total	140,648	172	140,820	140,500	145	140,645

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

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

[3] Retired 20th December 2016.

[4] Appointed 20th December 2016.

A table showing the total remuneration for the Chairman over the five years ended 30th September 2017 is below:

Remuneration for the Chairman over the five years ended 30th September 2017

Year ended 30th September	Fees	Performance related benefits received as a percentage of maximum payable[1]
2017	£36,000	n/a
2016	£36,000	n/a
2015	£34,000	n/a
2014	£32,500	n/a
2013	£32,500	n/a

Directors' Shareholdings[1]

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

Directors' Name	30th September 2017	1st October 2016 or as at date of appointment
Alan Barber[2]	5,300	5,300
Stephen Cohen[3]	15,000	15,000
Andrew Fleming	5,000	5,000
Sir Stephen Gomersall	3,049	3,049
Keith Percy[2]	4,500	4,500
George Olcott[3]	5,000	nil
Christopher Samuel	5,000	5,000
Total	42,849	37,849

[1] Audited information.

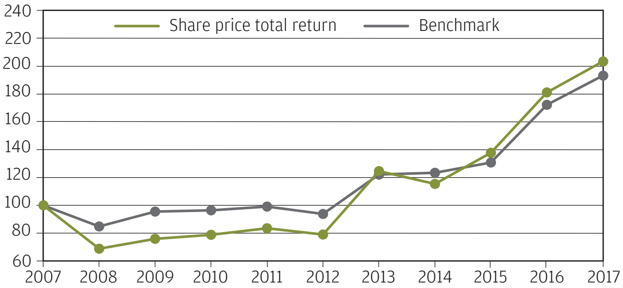
[2] Retired 20th December 2016.

[3] Appointed 20th December 2016.

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

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

Ten Year Share Price and Benchmark Total Return Performance to 30th September 2017



Source: Morningstar.

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

Expenditure by the Company on remuneration and distributions to shareholders.

	Year ended 30th September 2017	2016
Remuneration paid to all Directors by way of fees	£140,648	£140,500
Distribution to shareholders by way of:		
– dividend	£5,886,000	£4,515,000
– share repurchases	£nil	£nil
Total distribution to shareholders	£5,886,000	£4,515,000

For and on behalf of the Board
Andrew Fleming
Chairman

13th November 2017

Independent Auditors' Report

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Company's affairs as at 30th September 2017 and of its net return and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), which comprise: the Statement of Financial Position as at 30th September 2017, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and that we have provided no non-audit services to the Group or the Parent Company in the period from 1st October 2016 to 30th September 2017.

Our audit approach

Context

JPMorgan Japanese Investment Trust plc is an Investment Trust Company listed on the London Stock Exchange, which aims to produce capital growth from a portfolio of Japanese equities. The operations of the Company are located in the UK. We focus our audit work primarily on the valuation and existence of investments and income.

Overview

- Overall materiality: £6.8 million (2016: £6.2 million), based on 1% of net assets.

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

- Income.
- Valuation and existence of investments.

The scope of our audit and our areas of focus

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Income *Refer to page 33 (Audit Committee Report), page 49 (Accounting Policies) and page 52 (Notes to the Financial Statements).* We focused on the accuracy and completeness of dividend income recognition and its presentation in the Statement of Comprehensive Income as set out in the requirements of The Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP'). This is because incomplete or inaccurate income could have material impact on the Company's net assets value. We also focused on the accuracy and occurrence of realised and unrealised gains or losses on the investment portfolio.	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy. We found that the accounting policies implemented were in accordance with accounting standards and the AIC SORP, and that income has been accounted for in accordance with the stated accounting policy. We tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data. No material misstatements were identified which required reporting to those charged with governance. To test for completeness, we tested all investment holdings in the portfolio, to ensure that all dividends declared in the market by investment holdings had been recorded. We tested occurrence by testing that all dividends recorded in the year had been declared in the market by investment holdings, and we traced a sample of dividends received to bank statements. We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Statement of Comprehensive Income in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. Our procedures did not identify any material misstatements which required reporting to those charged with governance. We also checked that the gains or losses on investments held at fair value comprise realised and unrealised gains or losses. For realised gains or losses, we tested a sample of disposal proceeds to bank statements. For unrealised gains or losses, we tested the valuation of the portfolio at the year-end, and also tested the reconciliation of opening and closing investments. Our testing did not identify any material misstatements which required reporting to those charged with governance.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments *Refer to page 33 (Audit Committee Report), page 49 (Accounting Policies) and page 55 (Notes to the Financial Statements).* The investment portfolio at the year-end principally comprised of listed equity investments. We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed on the Statement of Financial Position in the financial statements.	We tested the valuation of the listed investment portfolio by agreeing the prices used in the valuation to independent third party sources. No material misstatements were identified by our testing which required reporting to those charged with governance. We tested the existence of the investment portfolio by agreeing the holdings for investments to an independent custodian confirmation from JPMorgan Chase Bank, N.A. as at 30th September 2017. No material misstatements were identified by our testing which required reporting to those charged with governance.

How we tailored the audit scope

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

The Company's accounting is delegated to the Administrator who maintain their own accounting records and controls and report to the Manager.

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

Materiality

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

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

Overall materiality	£6.8 million (2016: £6.2 million).
How we determined it	1% of net assets.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for investment trust audits, in the absence of indicators that an alternative benchmark would be appropriate and because we believe this provides an appropriate and consistent year-on-year basis for our audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £339,000 (2016: £312,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

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

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30th September 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

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

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

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

- The Directors' confirmation on page 21 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

- The Directors' explanation on page 22 of the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Other Code Provisions
We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 34, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Company obtained in the course of performing our audit.
- The section of the Annual Report on page 33 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements
As explained more fully in the Directors' Responsibilities Statement set out on page 34, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 20th December 2013 to audit the financial statements for the year ended 30th September 2014 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 30th September 2014 to 30th September 2017.

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

13th November 2017

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH SEPTEMBER 2017

	Notes	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Gains on investments held at fair value through profit or loss	3	–	44,397	44,397	–	179,145	179,145
Net foreign currency gains/(losses)		–	10,514	10,514	–	(16,545)	(16,545)
Income from investments	4	11,640	–	11,640	8,725	–	8,725
Gross return		**11,640**	**54,911**	**66,551**	**8,725**	**162,600**	**171,325**
Management fee	5	(775)	(3,099)	(3,874)	(673)	(2,691)	(3,364)
Other administrative expenses	6	(613)	–	(613)	(619)	–	(619)
Net return on ordinary activities before finance costs and taxation		**10,252**	**51,812**	**62,064**	**7,433**	**159,909**	**167,342**
Finance costs	7	(189)	(755)	(944)	(153)	(612)	(765)
Net return on ordinary activities before taxation		**10,063**	**51,057**	**61,120**	**7,280**	**159,297**	**166,577**
Taxation	8	(1,161)	–	(1,161)	(874)	–	(874)
Net return on ordinary activities after taxation		**8,902**	**51,057**	**59,959**	**6,406**	**159,297**	**165,703**
Return per share	9	**5.52p**	**31.66p**	**37.18p**	**3.97p**	**98.79p**	**102.76p**

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 on ordinary activities after taxation represents the profit for the year and also total comprehensive income.

The notes on pages 49 to 65 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30TH SEPTEMBER 2017

	Called up share capital £'000	Capital redemption reserve £'000	Other reserve £'000	Capital reserves £'000	Revenue reserve[1] £'000	Total £'000
At 30th September 2015	**40,312**	**8,650**	**166,791**	**241,002**	**6,822**	**463,577**
Net return on ordinary activities	–	–	–	159,297	6,406	165,703
Dividend paid in the year (note 10)	–	–	–	–	(4,515)	(4,515)
At 30th September 2016	**40,312**	**8,650**	**166,791**	**400,299**	**8,713**	**624,765**
Net return on ordinary activities	–	–	–	51,057	8,902	59,959
Dividend paid in the year (note 10)	–	–	–	–	(5,886)	(5,886)
At 30th September 2017	**40,312**	**8,650**	**166,791**	**451,356**	**11,729**	**678,838**

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

The notes on pages 49 to 65 form an integral part of these financial statements.

AT 30TH SEPTEMBER 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	771,143	683,857
Current assets	12		
Debtors		3,852	3,465
Cash and cash equivalents		3,551	6,118
		7,403	**9,583**
Current liabilities	13		
Creditors: amounts falling due within one year		(385)	(257)
Net current assets		**7,018**	**9,326**
Total assets less current liabilities		**778,161**	**693,183**
Creditors: amounts falling due after more than one year	14	(99,323)	(68,418)
Net assets		**678,838**	**624,765**
Capital and reserves			
Called up share capital	15	40,312	40,312
Capital redemption reserve	16	8,650	8,650
Other reserve	16	166,791	166,791
Capital reserves	16	451,356	400,299
Revenue reserve	16	11,729	8,713
Total shareholders' funds		**678,838**	**624,765**
Net asset value per share	17	**421.0p**	**387.5p**

The financial statements on pages 46 to 48 were approved and authorised for issue by the Directors on 13th November 2017 and were signed on their behalf by:

Andrew Fleming
Chairman

The notes on pages 49 to 65 form an integral part of these financial statements.

Company registration number: 223583.

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 £'000	2016 £'000
Net cash outflow from operations before dividends and interest	18	(4,442)	(2,441)
Dividends received		9,648	7,190
Interest paid		(1,037)	(751)
Net cash inflow from operating activities		**4,169**	**3,998**
Purchases of investments		(250,200)	(329,893)
Sales of investments		207,947	321,976
Settlement of foreign currency contracts		5	(98)
Net cash outflow from investing activities		**(42,248)**	**(8,015)**
Dividend paid	10	(5,886)	(4,515)
Drawdown of bank loan		41,442	–
Repayment of bank loan		–	(32,381)
Net cash inflow/(outflow) from financing activities		**35,556**	**(36,896)**
Decrease in cash and cash equivalents		**(2,523)**	**(40,913)**
Cash and cash equivalents at start of year		6,118	46,923
Exchange movements		(44)	108
Cash and cash equivalents at end of year		3,551	6,118
Decrease in cash and cash equivalents		**(2,523)**	**(40,913)**
Cash and cash equivalents consist of:			
Cash and short term deposits		**3,551**	**6,118**

FOR THE YEAR ENDED 30TH SEPTEMBER 2017

1. Accounting policies

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include fixed asset investments at fair value, in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in November 2014 and updated in January 2017.

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 33 form part of these financial statements.

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

(b) Valuation of investments

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

The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. The portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the investments are designated by the Company as held at fair value through profit or loss. They are included initially at fair value which is taken to be their cost, excluding expenses incidental to purchase which are written off to capital at the time of acquisition. Subsequently the investments are valued at fair value, which are quoted bid prices for investments traded in active markets. For investments which are not traded in active markets, unlisted and restricted investments, the Board takes into account the latest traded prices, other observable market data and asset values based on the latest management accounts.

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

(c) Accounting for reserves

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

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

(d) Income

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

Overseas dividends are included gross of any withholding tax.

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

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

1. Accounting policies *continued*

(e) Expenses

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

- the management fee is allocated 20% to revenue and 80% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- Expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 11 on page 55.

(f) Finance costs

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

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

(g) Financial instruments

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

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

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

(h) Taxation

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

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

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

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

(i) Value Added Tax ('VAT')

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

(j) Foreign currency

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

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

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

(k) Dividend payable

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

(l) Repurchase of ordinary shares for cancellation

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

2. Significant accounting judgements, estimates and assumptions

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

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

3. Gains on investments held at fair value through profit or loss

	2017 £'000	2016 £'000
Gains on investments held at fair value through profit or loss based on historic cost	59,365	77,559
Amounts recognised as investment holding gains and losses in the previous year in respect of investments sold during the year	(77,489)	(60,260)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(18,124)	17,299
Net movement in investment holding gains and losses	62,524	161,853
Other capital charges	(3)	(7)
Total capital gains on investments held at fair value through profit or loss	**44,397**	**179,145**

4. Income

	2017 £'000	2016 £'000
Income from investments		
Overseas dividends	11,640	8,725

5. Management fee

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Management fee	775	3,099	3,874	673	2,691	3,364

Details of the management fee are given in the Directors' Report on pages 25 and 26.

6. Other administrative expenses

	2017 £'000	2016 £'000
Administration expenses	307	305
Directors' fees[1]	141	141
Depositary fees	110	98
Overseas board trip expenses	34	55
Auditors' remuneration for audit services	21	20
	613	619

[1] Full disclosure is given in the Directors' Remuneration Report on pages 36 to 37.

7. Finance costs

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Interest on bank loans and overdrafts	189	755	944	153	612	765

8. Taxation

(a) Analysis of tax charge in the year

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Overseas withholding tax	1,161	–	1,161	874	–	874
Total tax charge for the year	**1,161**	**–**	**1,161**	**874**	**–**	**874**

(b) Factors affecting total tax charge for the year

The tax charge for the year is lower (2016: lower) than the Company's applicable rate of corporation tax of 19.5% (2016: 20.0%) The factors affecting the total tax charge for the year are as follows:

	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Net return on ordinary activities before taxation	10,063	51,057	61,120	7,280	159,297	166,577
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 19.5% (2016: 20.0%)	1,962	9,955	11,917	1,456	31,859	33,315
Effects of:						
Non taxable capital gains	–	(10,707)	(10,707)	–	(32,520)	(32,520)
Non taxable overseas dividends	(2,146)	–	(2,146)	(1,667)	–	(1,667)
Unutilised expenses carried forward to future periods	194	752	946	211	661	872
Double tax relief expensed	(10)	–	(10)	–	–	–
Overseas withholding tax	1,161	–	1,161	874	–	874
Total tax charge for the year	**1,161**	**–**	**1,161**	**874**	**–**	**874**

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £6,940,390 (2016: £6,083,633) based on a prospective corporation tax rate of 17.0% (2016: 17.0%). The UK Government announced in July 2015 that the corporation tax rate is set to be cut to 19% in 2017 and 18% in 2020. In March 2016 a further cut to 17% in 2020 was announced. These reductions in the standard rate of corporation tax were substantively enacted on 15th September 2016 and became effective from 1st April 2017. The deferred tax asset has arisen due to the cumulative excess of deductible expenses over taxable income. Given the composition of the Company's portfolio, it is not likely that this asset will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

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

9. Return per share

	2017 £'000	2016 £'000
Revenue return	8,902	6,406
Capital return	51,057	159,297
Total return	**59,959**	**165,703**
Weighted average number of shares in issue during the year	161,248,078	161,248,078
Revenue return per share	5.52p	3.97p
Capital return per share	31.66p	98.79p
Total return per share	**37.18p**	**102.76p**

10. Dividends

(a) Dividends paid and proposed

	2017 £'000	2016 £'000
Dividend paid		
2016 final dividend paid of 3.65p (2015: 2.80p) per share	5,886	4,515
Dividend proposed		
2017 final dividend proposed of 5.00p (2016: 3.65p) per share	8,062	5,886

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

The dividend proposed in respect of the year ended 30th September 2017 is subject to shareholder approval at the forthcoming Annual General Meeting. In accordance with the accounting policy of the Company, this dividend will be reflected in the financial statements for the year ending 30th September 2018.

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

The requirements of Section 1158 are considered on the basis of the dividend proposed in respect of the financial year, shown below. The revenue available for distribution by way of dividend for the year is £8,902,000 (2016: £6,406,000). The revenue reserve after payment of the final dividend will amount to £3,667,000.

	2017 £'000	2016 £'000
Final dividend proposed of 5.00p (2016: 3.65p) per share	8,062	5,886

11. Investments

	2017 £'000	2016 £'000
Investments listed on a recognised stock exchange	771,143	683,857
Opening book cost	457,130	368,144
Opening investment holding gains	226,727	125,134
Opening valuation	683,857	493,278
Movements in the year:		
Purchases at cost	250,411	329,893
Sales proceeds	(207,525)	(318,466)
(Losses)/gains on sales of investments based on the carrying value at the previous balance sheet date	(18,124)	17,299
Net movement in investment holding gains and losses	62,524	161,853
	771,143	683,857
Closing book cost	559,381	457,130
Closing investment holding gains	211,762	226,727
Total investments held at fair value through profit or loss	**771,143**	**683,857**

Transaction costs on purchases during the year amounted to £163,000 (2016: £184,000) and on sales during the year amounted to £159,000 (2016: £179,000). These costs comprise mainly brokerage commission.

During the year, prior year investment holding gains amounting to £77,489,000 have been transferred to Gains and losses on sales of investments as disclosed in note 16 on page 57.

12. Current assets

Debtors

	2017 £'000	2016 £'000
Dividends and interest receivable	3,814	2,983
Other debtors	38	52
Securities sold awaiting settlement	–	430
	3,852	3,465

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

Cash and cash equivalents

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

13. Current liabilities

	2017 £'000	2016 £'000
Creditors: amounts falling due within one year		
Securities purchased awaiting settlement	211	–
Other creditors and accruals	123	113
Loan interest payable	51	144
	385	**257**

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

	2017 £'000	2016 £'000
Fixed rate bank loan	59,594	68,418
Floating rate bank loan	39,729	–
	99,323	**68,418**

The Company has two loan facilities with National Australia Bank ('NAB'). A ¥9.0 billion 5 year fixed rate loan facility, maturing on 29th July 2020 with an interest rate of 1.14%, and a ¥6.0 billion 3 year floating rate revolving credit facility, maturing on 5th December 2019. At 30th September 2017, the Company had drawn down the ¥9.0 billion (£59.6 million) fixed rate facility and the ¥6.0 billion (£39.7 million) revolving facility.

15. Called up share capital

	2017 £'000	2016 £'000
Issued and fully paid share capital:		
Ordinary shares of 25p each		
Opening balance of 161,248,078 (2016: 161,248,078) shares	40,312	40,312
Closing balance	**40,312**	**40,312**

Further details of transactions in the Company's shares are given in the Directors' Report on page 26.

16. Capital and reserves

	Called up share capital £'000	Capital redemption reserve £'000	Other[1] reserve £'000	Capital reserves: Gains and losses on sales of investments £'000	Capital reserves: Investment holding gains and losses £'000	Capital reserves: Capital reserve unrealised £'000	Capital reserves total £'000	Revenue reserve[2] £'000	Total £'000
Opening balance	**40,312**	**8,650**	**166,791**	195,493	226,727	(21,921)	**400,299**	**8,713**	**624,765**
Net foreign currency losses on cash and cash equivalents	–	–	–	(23)	–	–	(23)	–	(23)
Losses on sales of investments based on the carrying value at the previous balance sheet date	–	–	–	(18,124)	–	–	(18,124)	–	(18,124)
Net movement in investment holding gains and losses	–	–	–	–	62,524	–	62,524	–	62,524
Transfer on disposal of investments	–	–	–	77,489	(77,489)	–	-	–	–
Unrealised exchange gain on foreign currency loans	–	–	–	–	–	10,537	10,537	–	10,537
Management fee and finance costs charged to capital	–	–	–	(3,854)	–	–	(3,854)	–	(3,854)
Other capital charges	–	–	–	(3)	–	–	(3)	–	(3)
Dividend paid in the year	–	–	–	–	–	–	–	(5,886)	(5,886)
Retained revenue for the year	–	–	–	–	–	–	–	8,902	8,902
Closing balance	**40,312**	**8,650**	**166,791**	250,978	211,762	(11,384)	**451,356**	**11,729**	**678,838**

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

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

17. Net asset value per share

	2017 £'000	2016 £'000
Net assets (£'000)	678,838	624,765
Number of shares in issue	161,248,078	161,248,078
Net asset value per share	**421.0p**	**387.5p**

18. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash outflow from operations before dividends and interest

	2017 £'000	2016 £'000
Net return on ordinary activities before finance costs and taxation	62,064	167,342
Less capital return on ordinary activities before finance costs and taxation	(51,812)	(159,909)
Increase in accrued income and other debtors	(813)	(666)
Decrease in accrued expenses	11	(13)
Tax on unfranked investment income	(1,161)	(874)
Management fee charged to capital	(3,099)	(2,691)
Dividends received	(9,648)	(7,190)
Realised gain on foreign exchange transactions	16	1,560
Net cash outflow operations before dividends and interest	**(4,442)**	**(2,441)**

19. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2016: same).

20. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on page 25. The management fee payable to the Manager for the year was £3,874,000 (2016: £3,364,000) of which £nil (2016: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 52 are safe custody fees amounting to £50,000 (2016: £38,000) payable to JPMorgan Chase Bank, N.A., of which £17,000 (2016: £7,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities for the year was £13,000 (2016: £33,000) of which £nil (2016: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £3,000 (2016: £7,000) were payable to JPMorgan Chase Bank N.A. during the year of which £nil (2016: £2,000) was outstanding at the year end.

At the year end, total cash of £3,551,000 (2016: £6,118,000) was held with JPMorgan Chase. A net amount of interest of £117 (2016: £359) was receivable by the Company during the year from JPMorgan Chase of which £nil (2016: £nil) was outstanding at the year end.

Full details of Directors' remuneration and shareholdings can be found on page 36 and in note 6 on page 52.

21. Disclosures regarding financial instruments measured at fair value

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

The investments are categorised into a hierarchy consisting of 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

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

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

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

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

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

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

Details of the valuation techniques used by the Company are given in note 1(b) on page 49.

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

	2017		2016	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	771,143	–	683,857	–
Total	**771,143**	**–**	**683,857**	**–**

There were no transfers between Level 1, 2 or 3 during the year (2016: same).

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

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

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

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

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

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

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

(a) Market risk

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

(i) Currency risk

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

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board, which meets on at least four occasions each year. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the yen/sterling exchange rate. Yen denominated borrowing may be used to limit the exposure of the Company's portfolio to the yen/sterling exchange rate. Income is converted to sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements. It is currently not the Company's policy to hedge against foreign currency risk.

Foreign currency exposure

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

	2017			2016		
	Yen £'000	NZD £'000	Total £'000	Yen £'000	NZD £'000	Total £'000
Current assets	7,268	4	7,272	9,215	6	9,221
Creditors	(99,535)	–	(99,535)	(68,418)	–	(68,418)
Foreign currency exposure on net monetary items	(92,267)	4	(92,263)	(59,203)	6	(59,197)
Investments held at fair value through profit or loss	771,143	–	771,143	683,857	–	683,857
Total net foreign currency exposure	**678,876**	**4**	**678,880**	**624,654**	**6**	**624,660**

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

Foreign currency sensitivity

The following tables illustrate the sensitivity of return after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and the income receivable in foreign currency and assumes a 10% (2016: 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.

	2017		2016	
	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000	If sterling strengthens by 10% £'000	If sterling weakens by 10% £'000
Statement of Comprehensive Income – return after taxation				
Revenue return	(1,164)	1,164	(872)	872
Capital return	9,226	(9,226)	5,920	(5,920)
Total return after taxation	8,062	(8,062)	5,048	(5,048)
Net assets	**8,062**	**(8,062)**	**5,048**	**(5,048)**

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

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the liquidity fund and the interest payable on the Company's variable rate cash borrowings.

Management of interest rate risk

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

Interest rate exposure

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

	2017 £'000	2016 £'000
Exposure to floating interest rates:		
Cash and cash equivalents	3,551	6,118
Floating rate bank loan	(39,729)	–
Total exposure	**(36,178)**	**6,118**

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2016: same).

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2016: 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.

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

(ii) Interest rate risk *continued*

Interest rate sensitivity *continued*

	2017		2016	
	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 return	(44)	44	61	(61)
Capital return	(318)	318	–	–
Total return after taxation for the year	(362)	362	61	(61)
Net assets	**(362)**	**362**	**61**	**(61)**

In the opinion of the Directors, the above sensitivity analysis are broadly representative of the Company's future exposure to interest rate changes due to fluctuations in drawings on the loan facility.

(iii) Other price risk

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

Management of other price risk

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

Other price risk exposure

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

	2017 £'000	2016 £'000
Investments held at fair value through profit or loss	771,143	683,857

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

Concentration of exposure to other price risk

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

Other price risk sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets to an increase or decrease of (2016: 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.

	2017		2016	
	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 return	(75)	75	(66)	17
Capital return	76,815	(76,815)	68,120	(68,319)
Total return after taxation	76,740	(76,740)	68,054	(68,302)
Net assets	**76,740**	**(76,740)**	**68,054**	**(68,302)**

(b) Liquidity risk

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

Management of the risk

Liquidity risk is not significant as the Company's assets comprise readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities. The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities, working capital requirements and to gear the Company as appropriate. Details of the current loan facilities are given in note 14 on page 56.

Liquidity risk exposure

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

	2017			
	Three months or less £'000	More than three months but not more than one year £'000	More than one year £'000	Total £'000
Securities purchased awaiting settlement	211	–	–	211
Other creditors and accruals	123	–	–	123
Bank loans – including interest	296	748	100,935	101,979
	630	**748**	**100,935**	**102,313**

	2016			
	Three months or less £'000	More than three months but not more than one year £'000	More than one year £'000	Total £'000
Bank loan – including interest	336	588	70,770	71,694
Other creditors and accruals	113	–	–	113
	449	**588**	**70,770**	**71,807**

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

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

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

Cash and cash equivalents

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

Exposure to JPMorgan Chase

JPMorgan Chase Bank, N.A. is the custodian of the Company's assets. The Company's assets are segregated from JPMorgan Chase's own trading assets. Therefore these assets are designed to be protected from creditors in the event that JPMorgan Chase were to cease trading. The Depositary, BNY Mellon Trust and Depositary (UK) 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.

There were no stocks on loan at 30th September 2017 (2016: nil). There has been no stock lending during the current or comparative year.

(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:

	2017 £'000	2016 £'000
Debt:		
Bank loans	99,323	68,418
Equity:		
Called up share capital	40,312	40,312
Reserves	638,526	584,453
Total equity	678,838	624,765
Total debt and equity	**778,161**	**693,183**

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

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

	2017 £'000	2016 £'000
Investments held at fair value through profit or loss	771,143	683,857
Net assets	678,838	624,765
Gearing	13.6%	9.5%

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

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

24. Subsequent events

The Directors have evaluated the period since the year end and have not noted any subsequent events.

Regulatory Disclosures

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (‘AIFMD’) DISCLOSURE (UNAUDITED)

Leverage

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

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD, as at 30th September 2017, which gives the following figures:

	Gross Method	Commitment Method
Maximum limit	200%	200%
Actual	114%	114%

JPMF Remuneration

JPMF is the authorised manager of the Company and is part of the JPMorgan Chase & Co. group of companies. In this disclosure, the terms ‘JPMorgan’ or ‘Firm’ refer to that group, and each of the entities in that group globally, unless otherwise specified.

This disclosure has been prepared in accordance with the AIFMD, the European Commission Delegated Regulation supplementing the AIFMD and the ‘Guidelines on sound remuneration policies’ under the AIFMD issued by the European Securities and Markets Authority under the AIFMD. The disclosure has also been prepared in accordance with the relevant provisions of the Financial Conduct Authority Handbook (FUND 3.3.5 and COLL 4.5.7).

JPMF Remuneration Policy

The current remuneration policy for the Management Company (the ‘Remuneration Policy’) can be found at https://am.jpmorgan.com/gb/en/asset-management/gim/adv/legal/emea-remuneration-policy. This policy includes details of how remuneration 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 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 funds it manages (‘Identified Staff’). The 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.

JPMF reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of Identified Staff.

JPMF Quantitative Disclosures

Disclosures in accordance with FUND 3.3.5, Article 22(2)e and 22(2)f of the AIFMD and Article 107 of the Delegated Regulation are disclosed on the Company’s website at www.jpmjapanese.co.uk

SECURITIES FINANCING TRANSACTIONS REGULATION (‘SFTR’) 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 30th September 2017.

Shareholder Information

Notice is hereby given that the eighty ninth Annual General Meeting of JPMorgan Japanese Investment Trust plc will be held at the Offices of JPMorgan, 60 Victoria Embankment, London EC4Y 0JP on 14th December 2017 at 2.00 p.m. for the following purposes:

1. To receive the Directors' Report & Financial Statements and the Auditors' Report for the year ended 30th September 2017.
2. To approve the Director's Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 30th September 2017.
4. To approve a final dividend of 5.00p per share.
5. To reappoint Andrew Fleming as a Director of the Company.
6. To reappoint Stephen Cohen as a Director of the Company.
7. To reappoint Sir Stephen Gomersall as a Director of the Company.
8. To reappoint George Olcott as a Director of the Company.
9. To reappoint Christopher Samuel as a Director of the Company.
10. To reappoint PricewaterhouseCoopers LLP as the Auditors of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to allot new 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 for the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £2,015,600 or, if different the aggregate nominal amount representing approximately 5% of the Company's issued Ordinary share capital as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2018 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot shares and grant Rights in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

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

12. THAT subject to the passing of Resolution 11 set out above, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 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 £2,015,600 or, if different the aggregate nominal amount representing approximately 5% of the issued share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 11 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

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 of 25p each in the capital of the Company on such terms and in such manner as the Directors may from time to time determine.

    PROVIDED ALWAYS THAT

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

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

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

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

(v) the authority hereby conferred shall expire on 13th June 2019 unless the authority is renewed at the Annual General Meeting in 2018 or at any other general meeting prior to such time; and

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

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

13th November 2017

Notes

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

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

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

3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 2.00 p.m. two business days prior to the Meeting (i.e. excluding weekends and bank holidays).

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

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

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

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

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

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

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

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

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

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

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

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

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

16. As at 10th November 2017 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 161,248,078 ordinary shares carrying one vote each. Therefore the total voting rights in the Company are 161,248,078.

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

Electronic appointment – CREST members

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

Return to Shareholders

Total return to the investor, 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 (see page 4).

Return on Net Assets

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 (see page 4).

In accordance with industry practice, dividends payable which have been declared but which are unpaid at the balance sheet date are deducted from the NAV when calculating the total return on net assets.

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, into the shares of the underlying companies at the time the shares were quoted ex-dividend (see page 4).

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 track this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Gearing/Net Cash

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 (see page 5).

Ongoing Charges

The ongoing charges represent the Company's management fee and all other operating expenses excluding interest payable, expressed as a percentage of the average of the daily net assets during the year (see page 5).

Share Price Discount/Premium 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. 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 (see page 5).

Performance Attribution

Analysis of how the Company achieved its recorded performance relative to its benchmark (see page 13).

- **Stock/Sector**
  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/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.

- **Share Repurchases**
  Measures the effect on relative performance of repurchasing and cancelling the Company's own shares, or holding them in Treasury, at a price which is less than the net asset value per share.

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

1. Directly from J.P. Morgan

Investment Account

The Company's shares are available in the J.P. Morgan Investment Account, which facilitates both regular monthly investments and occasional lump sum investments in the Company's ordinary shares. Shareholders who would like information on the Investment Account should call J.P. Morgan Asset Management free on 0800 20 40 20 or visit its website at am.jpmorgan.co.uk/investor

Stocks & Shares Individual Savings Accounts (ISA)

The Company's shares are eligible investments within a J.P. Morgan ISA. For the 2017/18 tax year, from 6th April 2017 and ending 5th April 2018, the total ISA allowance is £20,000. The shares are also available in a J.P. Morgan Junior ISA. Details are available from J.P. Morgan Asset Management free on 0800 20 40 20 or via its website at am.jpmorgan.co.uk/investor

2. Via a third party provider

Third party providers include;

AJ Bell	Interactive Investor
Alliance Trust Savings	James Brearley
Barclays Stockbrokers	James Hay
Bestinvest	Selftrade
Charles Stanley Direct	TD Direct
FundsNetwork	The Share Centre
Hargreaves Lansdown	Trustnet Direct

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.

3. 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	30th September
Final results announced	November
Half year end	31st March
Half year results announced	May/June
Dividend on ordinary shares paid	December
Annual General Meeting	December

History

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

Company Numbers

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

Market Information

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

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

Website

www.jpmjapanese.co.uk

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

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan Junior ISA. These products are all available on the online service at jpmorgan.co.uk/online

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

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

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

Depositary

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

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

Registrars

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

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

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

Independent Auditors

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

Brokers

Canaccord Genuity
88 Wood Street
London EC2V 7QR

Savings Product Administrators

For queries on the J.P. Morgan Investment Account and J.P. Morgan ISA, see contact details on the back cover of this report.

FCA Regulation of 'Non-Mainstream Pooled Investments'

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

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

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The Association of Investment Companies
A member of the AIC

www.jpmjapanese.co.uk

CONTACT J.P. MORGAN

Freephone 0800 20 40 20 or +44 (0) 1268 444470.
Telephone lines are open Monday to Friday,
9.00am to 5.30pm.

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J.P.Morgan
Asset Management