JPMorgan Japanese Investment Trust plc

Be at the heart of Japan's new growth

Annual Report and Financial Statements
for the year ended 30th September 2022

J.P.Morgan
ASSET MANAGEMENT

Key Features

Investment Objective, Policy and Benchmark

The Company seeks capital growth from a portfolio of investments in Japanese companies and may 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. Its benchmark is the Tokyo Stock Exchange Index[1] (TOPIX) with net dividends reinvested, expressed in sterling terms.

Further details are given in the Strategic Report on pages 29 and 30.

Why invest in this Trust?

Be at the Heart of Japan's New Growth

The Company seeks to tap into the long-term story of Japan's structural economic transformation by investing in high-quality, innovative companies in sectors such as robotics, materials, healthcare, e-commerce and business services.

Local Insight, Global Strength

The Company, one of the largest and oldest closed-end funds focused on Japanese equities, is managed locally and supported by a team of over 25 specialist investment professionals in Tokyo. This significant on-the-ground presence provides the essential insight needed to discover new opportunities in an under-researched market. The Investment Managers also draw on JPMorgan Asset Management's ('JPMAM') global team of analysts.

High Quality Growth Companies held for the Long Term

The Company is managed with an unconstrained investment approach to deliver a high conviction, high-quality and growth-focused portfolio, investing in companies of all sizes. The Investment Managers back innovative Japanese companies that are, or may become, world-leading in high-growth industries, including robotics, e-commerce, fintech and computer gaming.

The Investment Managers seek out companies with strong franchises, balance sheets and cash-flow generation, which have the potential to compound earnings over the long term.

Attractive Results over the Long Term

The Company provides investors a portfolio of Japanese companies that the Investment Managers believe offer the most attractive opportunities for excellent long-term performance.

Environmental, Social and Governance Considerations

ESG considerations are fully integrated into the stock selection process. JPMAM research teams compile their own ESG analyses on each company as well as using external vendor research, and rank them. These ESG scores are combined with strategic and financial analysis to evaluate the overall attractiveness of an investment. In addition, the Investment Managers, together with Stewardship specialists, conduct extensive engagement on specific ESG issues with investee companies. JPMAM is a signatory to both the UN PRI and the Net Zero Asset Managers Initiative. JPMAM is a signatory to the Financial Reporting Council's UK Stewardship Code and to the Japanese Stewardship Code and endeavours to vote at all of the meetings called by companies in which your portfolio invests. The Company's detailed ESG report is on pages 20 to 23.

Website

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

Gold

Morningstar Sustainability Rating

Morningstar Analyst Rating.
Source: Morningstar, April 2022.

Best Japanese Equities Trust at the Citywire Investment Trust Awards 2020.

JPMorgan Asset Management Group of the Year 2022

[1] The Tokyo Stock Exchange was restructured on 4th April 2022. The constituents of TOPIX following the restructuring remain unchanged, regardless of their new market segment. However, the Index weights of the smallest constituents (sub JPY 5bn) will reduce to zero over time.

"Our Tokyo base, our world-class, highly experienced investment team and our long term outlook ensure we focus on what is really important."

Nicholas Weindling, Investment Manager,
JPMorgan Japanese Investment Trust plc

"Whether it is established high-quality corporate franchises that will compound earnings over many years or innovative young companies with exciting growth prospects, our unconstrained approach ensures we really can be at the heart of Japan's new growth."

Miyako Urabe, Investment Manager,
JPMorgan Japanese Investment Trust plc

50+
Years' experience investing in the region

25+
Investment professionals in Japan

4,000+
Japanese company meetings each year

84%
Active share[1]

[1] Active share (on a geared basis) is a measurement of the difference in the Company's portfolio compared to the benchmark index as at 30th September 2022.

Source: JPMAM.

Contents

Financial Highlights

Total returns (including dividends reinvested)

	2022	2021[1]	3 Year Annualised[1]	5 Year Annualised[1]	10 Year Annualised[1]
Return to shareholders[2,A]	–35.2%	+11.0%	+0.7%	+4.4%	+12.3%
Return on net assets[3,A]	–34.8%	+10.7%	–0.9%	+3.3%	+10.9%
Benchmark return[4,A]	–13.9%	+15.3%	+0.4%	+2.5%	+8.8%
Net asset return compared to benchmark return[A]	–20.9%	–4.6%	–1.3%	+0.8%	+2.1%
Annual dividend[3,A]	6.2p	5.3p			

[1] Calculated on a geometric basis.
[2] Source: Morningstar.
[3] Source: Morningstar/J.P. Morgan, using net asset value per share, with debt at fair value.
[4] Source: Morningstar. The Company's benchmark is the TOPIX Index expressed in sterling terms.
[A] Alternative Performance Measure ('APM').

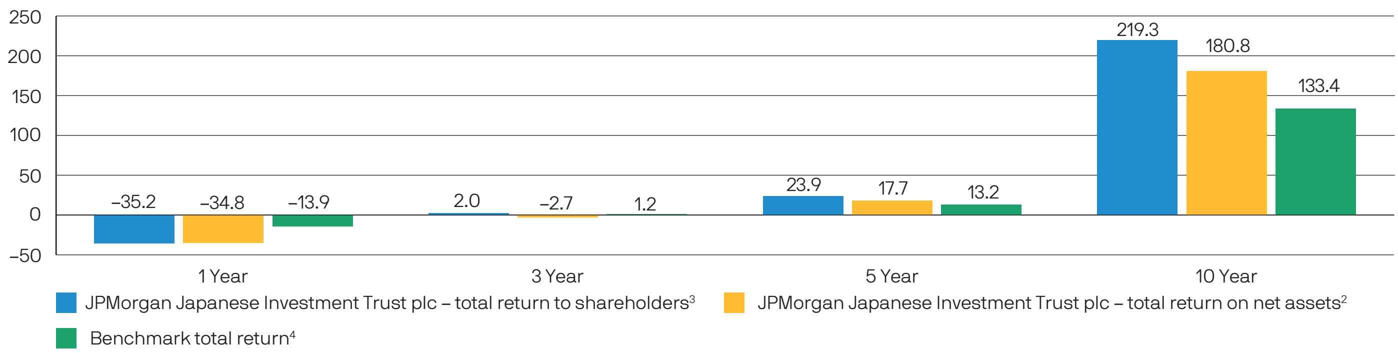
A glossary of terms and APMs is provided on page 96.

Financial Highlights

Summary of results

	2022	2021	% change
Key financial data as at 30th September			
Shareholders' funds (£'000)	730,374	1,154,544	–36.7
Total assets (£'000)	850,924	1,317,568	–35.4
Net asset value per share with debt at fair value[1,A]	473.2p	731.7p	–35.3[5]
Net asset value per share with debt at par value[A]	472.1p	735.5p	–35.8[6]
Share price	438.5p	682.0p	–35.7[7]
Share price discount to net asset value per share			
– with debt at fair value[1,A]	7.3%	6.8%	
– with debt at par value[A]	7.1%	7.3%	
– 12-month average with debt at fair value[2,A]	5.7%	3.9%	
Revenue return per share	7.48p	5.99p	+24.8
Capital (loss)/return per share	(266.28)p	62.54p	–525.8
(Loss)/return per share	(258.80)p	68.53p	–477.6
Annual dividend	6.2p	5.3p	+17.0
Exchange rate	£1 = ¥161.6	£1 = ¥150.4	+7.4
Shares in issue (excluding shares held in Treasury)	154,702,089	156,980,434	
Gearing[A]	**11.7%**	**12.7%**	
Ongoing charges[A]	**0.68%**	**0.61%**	

Long-Term Performance[8] for the year ended 30th September 2022



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

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

[3] Source: Morningstar.

[4] Source: Morningstar. The Company's benchmark is the TOPIX Index expressed in sterling terms.

[5] Excludes dividends reinvested. Including dividends reinvested, the return is –34.8%.

[6] Excludes dividends reinvested. Including dividends reinvested, the return is –35.3%.

[7] Excludes dividends reinvested. Including dividends reinvested, the return is –35.2%.

[8] Calculated on an arithmetic basis.

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

A glossary of terms and APMs is provided on pages 96 and 97.

Chairman's Statement

Christopher Samuel
Chairman

> *"The Investment Managers' focus on the longer term means the Company has outperformed the benchmark index over 5 and 10 years, by 4.5% and 47.4%, respectively."*

Investment Performance

The Investment Manager's high conviction, unconstrained approach, focused on finding Japan's best investment ideas does, from time to time lead to periods of underperformance. This is what happened in the financial year ended 30th September 2022, resulting in a challenging period for shareholders and the Company.

As stated in the half-year report, the Company underperformed during the first half of the 2021/22 financial year. This continued into the second half but, as discussed in the Investment Managers' report both relative and absolute performance recovered in the final months of the review period. The Company's total return on net assets (in sterling terms), with debt calculated at fair value[1], was –34.8%, compared with a total return of –13.9% on the Company's benchmark index, the Tokyo Stock Exchange (TOPIX) Index (also in sterling terms), over the same period. Therefore, over the full financial year, the Company underperformed the benchmark by –20.9% in net asset value (NAV) terms. The share price total return, with dividends reinvested, was –35.2%, resulting in very modest widening in the discount to NAV at which the Company's shares trade. A contributory factor to the absolute return was a decline in the yen versus sterling over the period of 7.4%.

As the Investment Managers set out in their report on pages 12 to 19 the main reason for the poor outcome was the heavy exposure in the portfolio to companies whose valuations were more sensitive than the broader market to the negative impact of rapidly rising global inflation and the associated interest rate increases. The Investment Manager's strategy of investing for the long term in higher-quality companies with good growth prospects does mean that these periods of underperformance may occur.

The portfolio remains invested in many attractive companies whose prospects have not deteriorated and, in some cases, improved, while valuations have come down. While stock selection for the Company is not driven by macroeconomic considerations, macroeconomic factors, as we have seen, can affect valuation levels materially. So, it is worth noting that some macroeconomic indicators may now be improving. Inflation may be peaking. China may reopen and reflate. The US dollar may have peaked and rate rises may now slow down. All of this would most likely be positive for the portfolio's valuation levels.

Shareholders are reminded that, historically, the Company has outperformed after a period of underperformance of the magnitude we have seen and the Investment Managers' focus on the longer term means that it is more relevant to assess the Company's performance over a longer time frame, which remains strong, in both absolute and relative terms. The Company has outperformed the benchmark index over five and 10 years, by 4.5% and 47.4%, respectively.

Since the end of the financial year, the Company's NAV has increased by 5.5% as at 9th December 2022, compared to a benchmark increase of 2.7%, while the share price increased by 6.3%.

As I commented in the half-year report, the Company's Morningstar Analyst rating was increased to the highest level, Gold, from the previous rating of Silver in April 2022, with the Morningstar report recognising the strength of the Company's Investment Managers and their investment process. As such, your Manager remains one of only two active Japanese equity managers with a Gold Morningstar Analyst rating across some 900 Japanese equity funds and share classes which Morningstar classify as 'Japan Large-Cap equity' and on which they provide data on their UK website. You can find further details of the Morningstar research and rating at www.morningstar.co.uk. The Company continues to maintain the highest Morningstar sustainability rating of five globes.

Whilst the Board has been monitoring the Investment Managers closely from the UK, we have not been able to visit the Investment Managers in Japan since March 2019 due to Covid-imposed travel restrictions. We were finally able to do so in October 2022 and this gave us the opportunity to spend

[1] As disclosed in the Company's 2021 Annual Report, the AIC has recommended that investment trusts with long-term fixed rate debt prepare a measure of their NAV that values this debt at 'fair value' rather than using par value. This reflects the fact that the economic value of this debt may differ materially from the par of accounting value of the debt instrument and the belief that this value may be of interest to shareholder and potential investors. Accordingly, the Board has decided to use this measurement when reporting NAV returns within the Company's financial report; this is also in line with the basis of the NAV released to the London Stock Exchange every business day.

time discussing the reason for the Company's underperformance with the Investment Managers. The Board remains confident that the Investment Managers and their process will continue to deliver attractive investment returns in the future.

> *"Your Manager remains one of only two active Japanese equity managers with a Gold Morningstar Analyst rating across some 900 Japanese equity funds. The Company also continues to maintain the highest Morningstar sustainability rating of five globes."*

Gearing

The Board of Directors believes that gearing can be beneficial to performance and the overall strategic gearing policy and guidelines, reviewing these at each Board meeting. The Investment Managers then manage the gearing within the agreed limits of 5% net cash to 20% geared in normal market conditions. As at 30th September 2022, gearing was equivalent to 11.7% (2021: 12.7%) of net assets.

During the second half of the financial year, the Company took out a ¥ 5 billion revolving credit facility with Mizuho Bank Ltd to enable the Investment Managers to invest further as and when they see opportunities and to diversify the funding sources available to the Company.

The Scotiabank facility expired on 2nd December 2022, therefore the maximum gearing is currently limited to c. 14%. The Board is reviewing options to replace this facility.

Revenues and Dividends

Income received during the year ended 30th September 2022 again rose year-on-year, with earnings per share for the full year of 7.48p (2021: 5.99p). This reflected a continued recovery in the level of dividends paid and the strong balance sheets of portfolio companies.

The Board's dividend policy is to pay out the majority of the revenue available each year. The Board therefore proposes, subject to shareholders' approval at the Annual General Meeting to be held on 12th January 2023, to pay a final dividend of 6.2p per share (2021: 5.3p) on 3rd February 2023 to shareholders on the register at the close of business on 23rd December 2022 (ex-dividend date 22nd December 2022). This represents an increase of 17% in the dividend and follows last year's 4% increase.

We hope to be able to continue to increase the dividend in future years.

Discount Management/Share repurchases

The Board monitors the discount to NAV at which the Company's shares trade and believes that, over the long term, for the Company's shares to trade close to NAV, the focus has to remain on consistent, strong investment performance over the key one, three, five and 10 year timeframes, combined with effective marketing and promotion of the Company.

The Board recognises that a widening of, and volatility in, the Company's discount is seen by some investors as a disadvantage of investments trusts. The Board has restated its commitment over the long run to seek a stable discount or premium, commensurate with investors' appetite for Japanese equities and the Company's various attractions, not least the quality of the investment team, the investment process and the strong long-term performance these have delivered. Since 2020, this commitment has resulted in not only increased expenditure on marketing but also a series of targeted buybacks. During the past financial year, a total of 2,278,345 shares (1.41% of shares in issue) were repurchased (2021: 2,858,644 shares).

As at 30th September 2022, the discount was 7.3%, very close to the level of 6.8% where it closed the previous year. Over the past financial year, the discount ranged from 10.6% to a premium of 2.7% and the average discount was 5.7%. The compares with the previous financial year, when the discount ranged from 9.2% to a premium of 1.5% and the average discount was 3.9%.

Since the end of the current review period, the Board has repurchased a further 735,000 shares and the discount stood at 6.6% as at 9th December 2022.

Shares are only repurchased at a discount to the prevailing net asset value, which increases the Company's net asset value per share. Shares may either be cancelled or held in Treasury for possible re-issue at a premium to net asset value.

Chairman's Statement

Environmental, Social and Governance Considerations

As detailed in the Investment Managers' Report, Environmental, Social and Governance ('ESG') considerations are fully integrated into their investment process. The Board shares the Investment Managers' view of the importance of ESG factors when making investments for the long term and the necessity of continued engagement with investee companies over the duration of the investment. As mentioned above, we are pleased that the Company retains the highest Morningstar Sustainability rating of five globes.

Further information on JPMorgan's ESG process and engagement is set out in the ESG Report on pages 10 to 23 and in the JPMorgan Asset Management 2021 Investment Stewardship Report, which can be accessed at https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/sustainable-investing/investmentstewardship-report.pdf

Succession Planning

The Board has given considerable thought to its succession planning. In line with this plan, Sir Stephen Gomersall will retire from the Board and as our Senior Independent Director at the forthcoming AGM. On behalf of the Board, I would like to thank Sir Stephen for his invaluable input to the Company over the years since he joined the Board in 2013 and wish him well for the future. Sally Macdonald, who has been a Director since 2018, will succeed Sir Stephen as the Company's Senior Independent Director, effective from the conclusion of the AGM.

Having served as a Director for nine years next year, the succession plan recognises that I will be retiring from the Board and as Chairman at the AGM in 2024. I am delighted that the Board has decided that Stephen Cohen, the current Audit Chair, will replace me as Chairman.

Board Appointment

Given these plans, in the early part of this year the Company engaged an independent search consultancy to find a suitably qualified Director to join the Board and to take over from Stephen Cohen as Audit Chair in due course. After a thorough selection process, in October 2022 we announced the appointment of Sally Duckworth, effective from 31st October 2022. Sally is an established entrepreneur with a focus on technology and has a background in finance and investment. She qualified as a Chartered Accountant with PricewaterhouseCoopers LLP.

In appointing Sally Duckworth to the Board, I believe we have set the Company in good stead to ensure there is continuity with the changes to directorships over the coming 13 months.

In order that all Directors have sufficient time to dedicate to the Company's matters and to avoid conflicts of interest, the Board conducts a robust review prior to, approving a Director taking on a new appointment. Details of this process are set out in the Directors' Report on page 48.

Board Evaluation

As required by the Corporate Governance Code, the Company undertook a comprehensive external Board evaluation this year. While this resulted in a small number of proposals that the Company will adopt, the overall conclusion was very positive in terms of the effectiveness of the Board and the skills, expertise and commitment of the Directors. The combination of the robust way in which the Board approves new appointments taken on by Directors and the annual Board evaluation means that the Board remains confident that each Director has the time to discharge responsibilities to the Company, something that is evidenced by, for example, full attendance at all the Company's meetings, as shown on page 48.

Board Diversity

I am pleased to note that the Board meets the recommendations of the FTSE Women Leaders Review. The Review set targets for FTSE 350 companies to have 40% female representation, up from 33%, and requires that one of the Chair or Senior Independent Director be a woman. Other than a brief period at the end of 2021, the Board has had at least 33% female representation since July 2020, currently 40%. This will rise to 50% at the conclusion of the AGM and, with Sally Macdonald taking over as Senior Independent Director from Sir Stephen Gomersall, I am pleased to report that the Board will meet these targets well in advance of when it is required to report on them.

The Board is also focused on the requirements of the Parker Review, which seeks to increase the ethnic diversity of Boards with a recommendation that FTSE 250 companies have at least one director from an ethnically diverse background by 2024. The Company has long complied with this recommendation, with George Olcott appointed as a director in 2016. For the first time, we have included a table in the Annual Report this year, clearly showing the gender and ethnic composition of the Board, on page 32.

In compliance with corporate governance best practice, all Directors, with the exception of Sir Stephen Gomersall, will be standing for re-appointment at the forthcoming AGM.

Annual General Meeting and Shareholder Contact

The Company's Annual General Meeting (AGM) will be held on 12th January 2023 at 12.30 pm at 60 Victoria Embankment, London EC4Y 0JP.

We are delighted that this year we will once again be able to invite shareholders to join us in person for the Company's AGM, to hear from the Investment Managers. Their presentation will be followed by a question and answer session. Shareholders wishing to follow the AGM proceedings but choosing not to attend in person will be able to view proceedings live and ask questions (but not vote) through conferencing software. Details on how to register, together with access details, will be available shortly on the Company's website at www.jpmjapanese.co.uk, or by contacting the Company Secretary at invtrusts.cosec@jpmorgan.com.

My fellow Board members, representatives of JPMorgan and I look forward to the opportunity to meet and speak with shareholders after the formalities of the meeting have been concluded.

Shareholders who are unable to attend the AGM are strongly encouraged to submit their proxy votes in advance of the meeting, so that they are registered and recorded at the AGM. Proxy votes can be lodged in advance of the AGM either by post or electronically: detailed instructions are included in the Notes to the Notice of Annual General Meeting on pages 93 to 95.

If there are any changes to these arrangements for the AGM, the Company will update shareholders via the Company's website, and, if appropriate, through an announcement on the London Stock Exchange.

Outlook

Your Board shares the Investment Managers' longer term optimism about the prospects for holdings in the Company's portfolio and their enthusiasm about the appealing opportunities in the Japanese market, whilst remaining mindful of the recent and ongoing challenges resulting from the war in Ukraine and global inflation. Furthermore, the Board is confident that the Investment Managers' disciplined investment process and careful approach to risk management, supported by JPMorgan's extensive research resources, will continue to identify these opportunities and deliver attractive long-term returns for shareholders.

On behalf of the Board, I would like to thank you for your ongoing support.

Christopher Samuel
Chairman

13th December 2022

Investment Managers' Report

Nicholas Weindling
Investment Manager
19 years industry experience
15 years JPMAM experience

Miyako Urabe
Investment Manager
13 years industry experience
8 years JPMAM experience

Performance

For the financial year ended 30th September 2022, the Company returned –34.8% on a net asset basis (in sterling terms), underperforming its benchmark, the TOPIX index, which declined 13.9%.

We use an unconstrained investment approach, looking for the very best companies with excellent long-term prospects. This means the portfolio has a strong bias towards growth companies, which inevitably leads to poor performance at times, as it has in the past two years. The extent of the Company's recent underperformance is certainly very disappointing to us, and we clearly recognise the disappointment of shareholders. However, we stress that this underperformance is the result of the same focus, particularly on quality, that we believe achieves the best performance over a multi-year period. Indeed, the Company's long-term track record of strong absolute returns and outperformance is evidence of this. Over the 10 years to 30th September 2022, the Company's average annualised NAV return was 10.9%, outpacing the benchmark return of 8.8%. The Company's long-term share price performance has been even stronger at 12.3% per annum over the same period, resulting in a narrowing of the discount.

Performance attribution

Year ended 30th September 2022

	%	%
Contributions to total returns		
Benchmark return		**–13.9**
Stock selection	–19.9	
Currency	–0.1	
Gearing/Cash	–0.8	
Investment Manager contribution		–20.8
Portfolio return[A]		**–34.7**
Management fee/other expenses	–0.7	
Share Buy-Back/Issuance	+0.1	
Other effects		**–0.6**
Return on net assets – Debt at par value[A]		**–35.3**
Impact of fair value of debt		+0.5
Return on net assets – Debt at fair value[A]		**–34.8**
Return to shareholders[A]		**–35.2**

Source: JPMAM and Morningstar. All figures are on a total return basis.
Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark.
[A] Alternative Performance Measure ('APM').

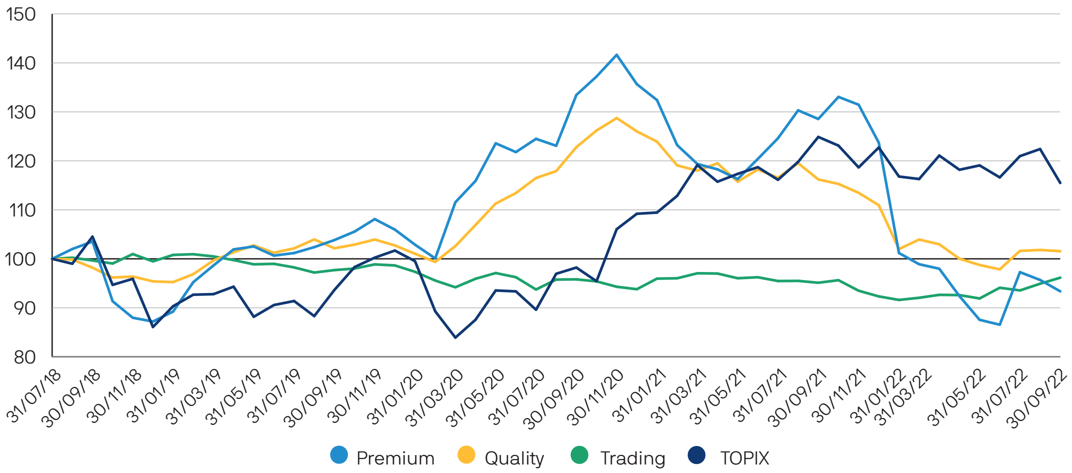
A glossary of terms and APMs is provided on pages 96 and 97.

Economic and Market Background

The main reason for recent underperformance was rapidly rising global inflation and the associated interest rates rises around the world coupled with the portfolio's high exposure to growth stocks. Performance was particularly poor during the first four months of 2022 as all major equity markets reacted to news of Russia's invasion of Ukraine, which compounded existing inflationary pressures and prompted an aggressive reaction from the US Federal Reserve and its counterparts in the UK and Europe. This was very detrimental to our performance as higher interest rates outside Japan reduced the value of future cash flows, and thus company valuations globally, including those in Japan. This was especially the case for the valuations of technology and other growth-oriented stocks, which were hardest hit in the past year's global stock market rout.

We do not believe the long-term outlook for the companies we own has deteriorated. Indeed, in certain areas we think the outlook for our companies has improved materially. One example is factory automation, where rising wages in manufacturing companies and the desire to shorten supply chains make the arguments for automation more compelling. Nor do we expect significantly higher interest rates in Japan. Yet the Japanese market has not escaped the past year's global sell-off and, as in other markets, the Premium and Quality growth-oriented stocks we favour have underperformed significantly. This can be seen in the chart below. Although these companies possess the best long-term growth outlooks, highest margins and strongest balance sheets, their valuations are based on long-term growth projections and are negatively impacted by the prospect of rising rates.

Performance – Strategic Classifications



At least in the Japanese market, there have already been signs that this correction may have run its course. The Company's performance, in both absolute and relative terms, has been recovering in recent months, as investors have begun to appreciate that the business outlook for quality and growth names remains as positive as it was before the sell-off. In the three months to 30th September 2022, the Company returned 3.7%, compared to a benchmark return of 1.1%. Since the end of the financial year, the Company's NAV has increased by 5.5% as at 9th December 2022, compared to a benchmark increase of 2.7%, while the share price increased by 6.3%.

Equally, the business outlook for the cyclical and value sectors that we do not own remains unattractive. The banking sector is one example. We do not expect a significant pick-up in loan demand; Japan is 'over-banked' and returns on equity are low (currently 6%) and look set to remain so.

Investment philosophy and process

Our investment strategy is therefore unchanged. We will remain focused on high-quality companies with strong balance sheets and leading competitive positions. Such companies have demonstrated pricing power over many years and we believe they are well positioned to continue to prosper, regardless of the challenges of the current macroeconomic environment. In identifying potential investments, we are supported by JPMorgan Asset Management's well-resourced investment team on the ground in Tokyo and JPMAM's extensive team of analysts, both in Japan and globally.

Our bottom-up, unconstrained approach means the portfolio can, and does, look very different from the benchmark. Typically, we do not hold many of the well-known names covered by most analysts and included in the benchmark. Many of these large companies operate in structurally impaired sectors such as department stores and railway operators, both of which are vulnerable to long-term declines in demand. As at 30th September 2022, the portfolio had an active share of 84% (on a geared basis). Active share is a measurement of the difference in the Company's portfolio compared to the benchmark index.

Investment Managers' Report

As an indicator of the quality in the portfolio, as at 30th September 2022, the Company's return on equity was 17% compared to 12% for the market, while the operating margin was 24% versus the market's 13%. At the same time, the portfolio's price to earnings (P/E) ratio was 18x, significantly above the market's 11.5x. This is lower than a year ago, when the Company's P/E was 35x, due in part to the general market decline and also because the companies we hold have, in many instances, revised up their earnings, further reducing their P/E ratios. In addition, over the past year we have tended to sell more highly valued companies and buy companies on lower valuations (see below for further discussion on recent portfolio activity). We believe the portfolio's higher-than-average P/E ratio is justified by the significantly better long-term prospects of the companies we hold, compared to others in traditional, declining sectors.

We use gearing judiciously to enhance returns. Portfolio gearing averaged 12.8% (2021: 14.0%) and was 11.7% (2021: 12.7%) at the end of the period as we continued to see opportunities to purchase high-quality stocks at attractive levels.

How we rate companies we consider for investment

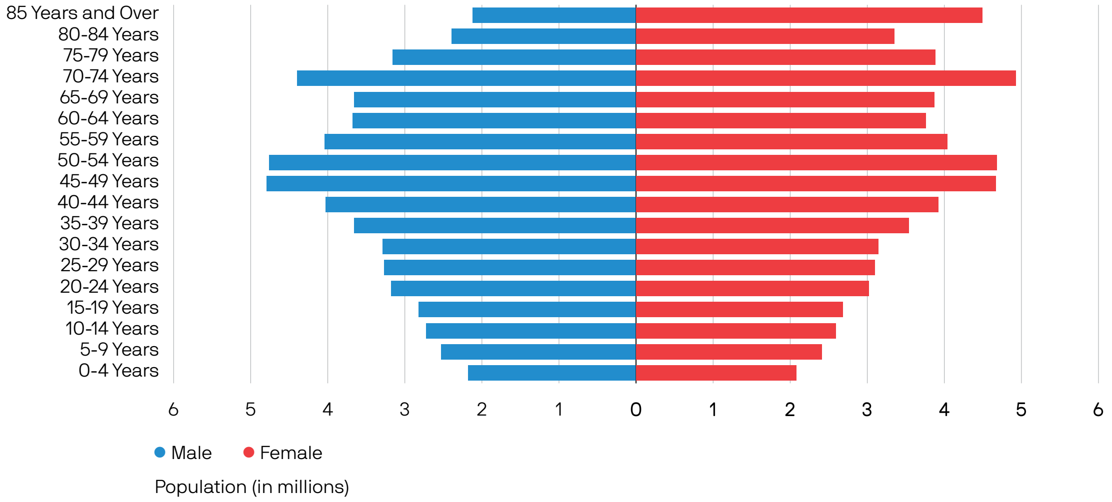
A quality growth focus is the core of our investment process. We assign a strategic classification to each company, based on desk-based research and company meetings. The highest rating is 'Premium', followed by 'Quality', and then 'Trading'. When assigning these ratings, in addition to assessing companies on fundamentals such as balance sheet strength, free cash flow, market position and growth prospects, we also consider governance issues, as well as potential risks arising from environmental, social and governance (ESG) considerations. Only businesses with sound governance practices and corporate behaviour consistent with our ESG criteria will receive a Premium or Quality rating, and the bar is high. Within the investable universe of Japanese companies, we rate only about 20% as Premium or Quality, whereas Premium or Quality names comprise around 90% of our portfolio. This rating system means that we incorporated ESG considerations into our strategic and valuation analysis of individual companies and into our investment decisions. However, we are continually improving the ways in which we consider ESG factors and integrate them into our investment process, and we are pleased with recent progress in this direction. The Environmental, Social and Governance Report on pages 20 to 23 provides more detail.

Portfolio themes

The portfolio is constructed entirely on a stock-by-stock basis as we seek out the best, most attractive companies. Nonetheless, certain themes tend to underpin our investment decisions. In fact, COVID-19 accelerated several tech-based trends in which we were already invested, strengthening the appeal of sectors such as online shopping and gaming and cloud computing. However, Japan remains well behind most other advanced economies in these and many other areas, leaving plenty of scope for such trends to continue developing over the coming years. For example, the penetration of e-commerce within the Japanese retail market is just over 10% and remains much lower than in China, the UK, South Korea or the US. Portfolio holdings such as Zozo, Japan's number one online apparel retailer, and Monotaro, a top-ranked business-to-business e-commerce company, are well placed to benefit, as is Nomura Research Institute (NRI), a consultancy that advises companies on their digital strategy. Elsewhere in the portfolio, Nintendo and Sony both own impressive stables of games and related intellectual property that will ensure growing revenue streams over the medium to long term.

Standardised cloud-based software for businesses is another digital theme. Historically, many Japanese companies have used internal software solutions, but now that the first generation of software engineers is reaching retirement age, there is an imperative for businesses to switch to standardised software solutions. Japan's poor demographics as shown in the following chart will add impetus to this as a structural shift over time and companies such as OBIC, a supplier of business administrative systems, provide the portfolio with exposure to this theme.

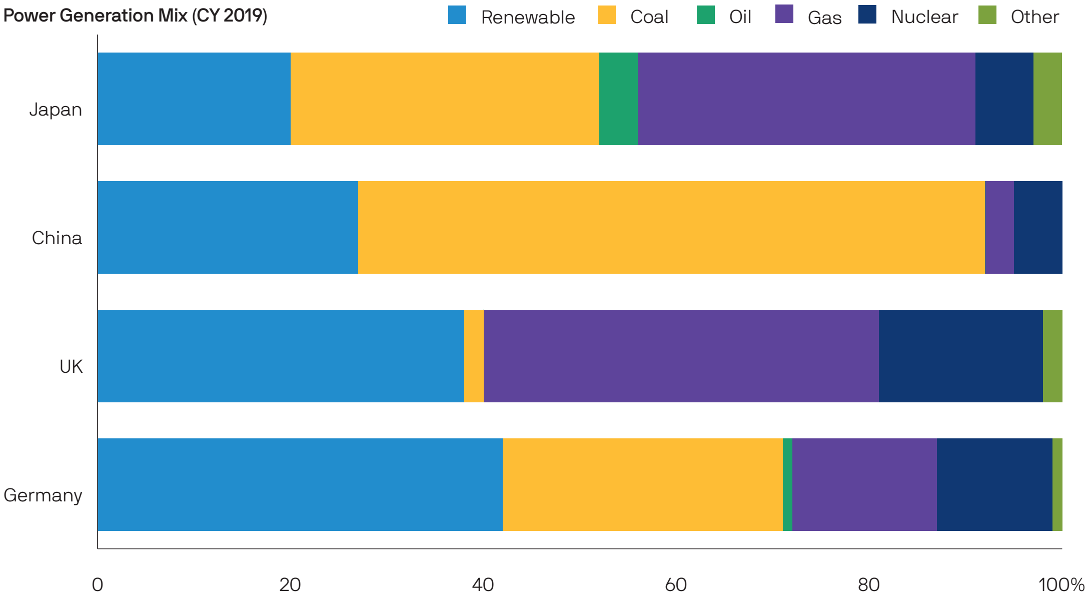
Japan population 2020



Deglobalisation is another trend gathering momentum. The pandemic, and subsequent events such as widespread supply chain shortages, the conflict in Ukraine and mounting US/China trade tensions, have increased companies' desire to move production nearer to end customers. With wage inflation now an issue in the US and other markets, businesses establishing new production plants and warehouses have a stronger incentive to incorporate factory automation into these facilities wherever feasible. Japan is fortunate to be home to some of the world's leading automation companies, and the Company numbers several, including Keyence, SMC and MISUMI, among its holdings.

Even before the outbreak of hostilities in Ukraine, there was already a clear need for Japan, along with many other Asian and European countries, to shift its energy mix away from a heavy reliance on imported fossil fuels. The war only highlighted the need for Japan to speed up its transition to renewable energy sources, and to make faster progress towards realising its commitment to reduce carbon emissions to net zero by 2050.

Japan is coal and gas dependent

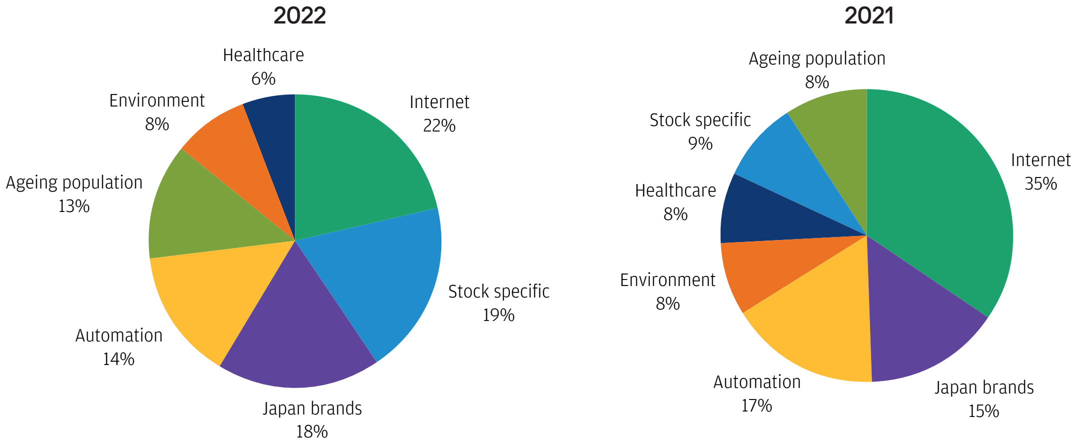


Our portfolio includes shares in Japan's leading solar energy REIT (Canadian Solar Infrastructure) and in several companies that help reduce energy usage. For example, Daikin produces ultra-efficient air conditioners and Shimano has a dominant market position to components for bicycles and e-bicycles. During the past six months, we also bought shares in JGC, which constructs liquid natural gas (LNG) production plants.

Investment Managers' Report

Japan is only at the beginning of its journey towards digitalisation and renewable energy, but these trends are already spawning many exciting new businesses, especially in the small and mid-cap space. Such growth-oriented companies are set to gather momentum over time and provide resilient, long-term sources of returns for investors. For example, our holding in telemedicine company Medley is already benefiting from this trend, while we expect our position in Tokyo Electron, the semiconductor equipment supplier, to gain from associated increases in demand for data processing and storage.

As at 30th September 2022, the thematic breakdown of the portfolio, compared to the position 12 months ago, was as follows:



Source: JPMorgan Asset Management.

Significant contributors and detractors to performance

The largest detractors from returns were Recruit and Benefit One, providers of employment and business services, Keyence, a global leader in manufacturing sensors for factory automation and Hoya, a global business across the fields of healthcare and information technology. However, we expect the share price weakness experienced by all of these names to prove transitory, as their results and investment cases remain robust, and all remain in the portfolio.

Our position in Nihon M&A Center, which provides mergers and acquisition-related services in Japan and globally, also remained under some pressure. As we discussed in the half year report, the share price fell sharply late last year when the company announced an investigation into some accounting irregularities over the last few years, which had the effect of artificially enhancing sales revenues in some periods. This issue has now been resolved and remedial measures are in place to prevent a recurrence of this problem. Although future revenue growth may be slower than previously expected as a result, we continue to hold the stock, as we still have confidence in the long-term investment case.

The detrimental performance impact of these and other holdings was partially offset by the positive contribution of several other holdings, most notably Nintendo and another gaming company, Capcom, whose earnings have remained steady, displaying little economic cyclicality. The decision of Tokio Marine, a general insurer, to increase shareholder returns triggered a significant recovery in its share price. Our decision not to own Nidec, which produces motors and electronic components, or Softbank Group, an owner of stakes in many energy, financial and technology companies, also helped relative performance, as both these names underperformed the benchmark over the period.

Portfolio activity

The past year's sharp sell-off in quality and growth companies enabled us to further increase our exposure to some great companies at compelling valuations. In addition to a number of acquisitions made in the first half of the financial year, and discussed in the half-year report, we purchased several other attractively priced companies in the second half of the year. JGC, a leading builder of LNG production plants, has performed very well since acquisition. We also opened positions in Paltac, Japan's number one wholesaler of household and personal goods, and in Itochu, which owns many stable cashflow generating businesses including the convenience store operator, Familymart. We particularly appreciate Itochu's focus on steady profit growth and ROE, and its determination to improve shareholder returns. Management's prioritisation of shareholder returns was the main reason for our decision to acquire Nippon Telegraph and Telephone, Japan's leading telecoms company. We also added Murata, the leading global supplier of multi layered ceramic capacitors (MLCCs), which are used in many electronic devices, with demand from vehicle manufacturers increasing especially rapidly. Deregulation of retail pharmacies, historically a very fragmented sector, prompted our purchase of Ain Holdings. The government's recent decision to permit pharmacies to operate inside large hospitals has allowed Ain to increase market share and scale up operations, by offering consumers a more conveniently located service.

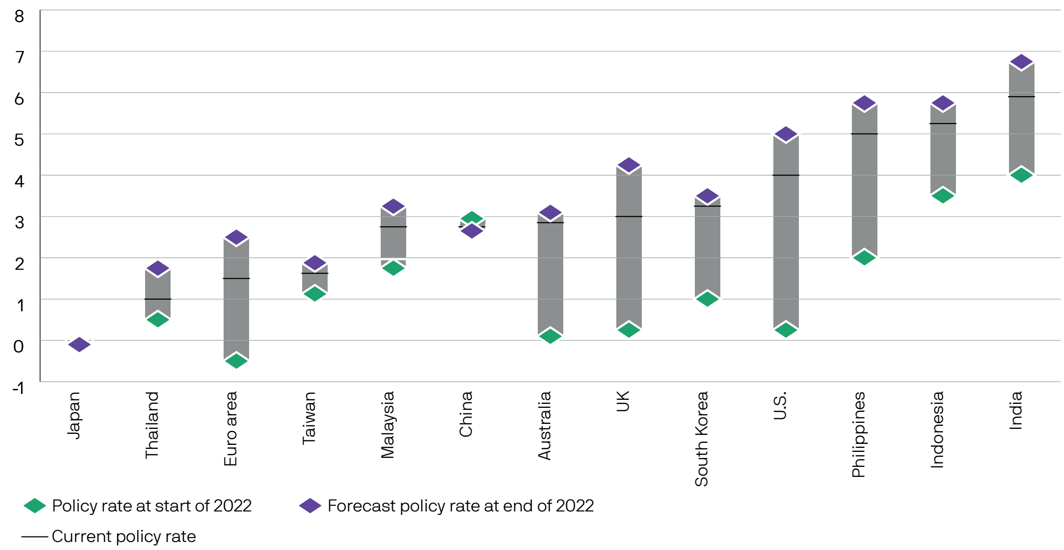
These purchases have been funded in part by the outright sales of several holdings whose potential growth rates have been undermined by increased competition. The half-year report mentioned several disposals motivated by such concerns. In addition, in the latter half of the year we closed positions in Uzabase and Minkabu, providers of financial and business information; Yappli, a software applications developer; Bengo4, an online legal consultation service; and Lifenet, a life insurance company. We also sold our holding in internet retailer Rakuten. Despite very heavy investment, there is still little evidence of progress in its mobile telecom operations, which remain heavily loss-making, creating a drain on an otherwise attractive online business.

In all, portfolio turnover over the past year was 19%, implying an average holding period of over five years. This is close to last year's turnover, but lower than 2020's 38%, which was due to the extraordinary opportunities provided by the onset of the pandemic.

Outlook

Japan's near-term economic outlook has improved since our last report. With the vaccine programme having been rolled out effectively, the Government has recently lifted the last of its Covid restrictions and the country is now fully reopened to foreign tourism. Furthermore, exporters will receive a fillip from the yen's recent depreciation. The yen/dollar rate was c ¥136.9/$ on 9th December 2022, thanks to the wide disparity between US and Japanese interest rates. While the US has rapidly increased rates, the Bank of Japan (BoJ) has so far maintained an ultra-loose monetary policy stance.

Global central bank policy rate changes



Source: CEIC, J.P. Morgan Economic Research.

Investment Managers' Report

Conversely, the weak yen makes imports more expensive – a particular problem for Japan as it has almost no natural resources, so it must import energy and other commodities. The weaker yen has increased the cost of these imports, adding to price increases triggered by pandemic-related shortages and the war in Ukraine. As a result, inflation has begun to rise in Japan, but remains lower than in most other developed countries.

Global inflation rates

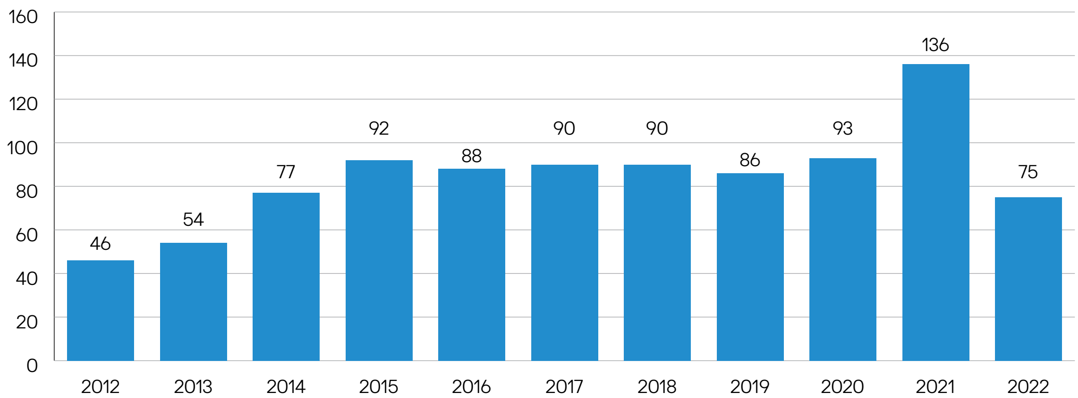
		Nov'20	Dec'20	Jan'21	Feb'21	Mar'21	Apr'21	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Apr'22	May'22
	Global	0.9	1.0	1.2	1.4	2.0	2.6	3.2	3.2	3.3	3.4	3.6	4.2	4.8	4.8	5.0	5.3	6.3	6.7	7.0
	Developed	0.4	0.5	0.9	1.1	1.7	2.5	3.1	3.3	3.4	3.6	3.9	4.6	5.2	5.4	5.6	6.1	7.0	7.2	7.5
	Emerging	1.5	1.7	1.5	1.8	2.3	2.7	3.2	3.1	3.1	3.0	3.1	3.7	4.3	4.0	4.0	4.2	5.3	6.0	6.2
Eurozone	Euro Area	-0.3	-0.3	0.9	0.9	1.3	1.6	2.0	1.9	2.2	3.0	3.4	4.1	4.9	5.0	5.1	5.9	7.4	7.4	8.1
	France	0.2	0.0	0.8	0.8	1.4	1.6	1.8	1.9	1.5	2.4	2.7	3.2	3.4	3.4	3.3	4.2	5.1	5.4	5.8
	Germany	-0.3	-0.3	1.0	1.3	1.7	2.0	2.5	2.3	3.8	3.9	4.1	4.5	5.2	5.3	4.9	5.1	7.3	7.4	7.9
	Italy	-0.3	-0.3	0.7	1.0	0.6	1.0	1.2	1.3	1.0	2.5	2.9	3.2	3.9	4.2	5.1	6.2	6.8	6.3	7.3
	Spain	-0.8	-0.6	0.4	-0.1	1.2	2.0	2.4	2.5	2.9	3.3	4.0	5.4	5.5	6.6	6.2	7.6	9.8	8.3	8.5
	Greece	-2.1	-2.4	-2.4	-1.9	-2.0	-1.1	-1.2	0.6	0.7	1.2	1.9	2.8	4.0	4.4	5.5	6.3	8.0	9.1	10.5
	Ireland	-1.0	-1.0	-0.1	-0.4	0.1	1.1	1.9	1.6	2.2	3.0	3.8	5.1	5.4	5.7	5.0	5.7	6.9	7.3	8.3
Developed	Sweden	0.2	0.6	1.9	1.8	2.1	2.8	2.4	1.8	1.8	2.5	3.0	3.3	3.9	4.5	3.9	4.4	6.3	6.6	7.5
	Switzerland	-0.8	-1.0	-0.6	-0.4	-0.2	-0.1	0.3	0.5	0.5	0.8	0.8	1.3	1.5	1.3	1.4	1.9	2.2	2.3	2.7
	UK	0.3	0.6	0.7	0.4	0.7	1.5	2.1	2.5	2.0	3.2	3.1	4.2	5.1	5.4	5.5	6.2	7.0	9.0	9.1
	U.S.	1.2	1.4	1.4	1.7	2.6	4.2	5.0	5.4	5.4	5.3	5.4	6.2	6.8	7.0	7.5	7.9	8.5	8.3	8.6
	Japan	-0.9	-1.2	-0.7	-0.5	-0.4	-1.1	-0.8	-0.5	-0.3	-0.4	0.2	0.1	0.6	0.8	0.5	0.9	1.2	2.5	2.5
Emerging	China	-0.5	0.2	-0.3	-0.2	0.4	0.9	1.3	1.1	1.0	0.8	0.7	1.5	2.3	1.5	0.9	0.9	1.5	2.1	2.1
	Indonesia	1.6	1.7	1.6	1.4	1.4	1.4	1.7	1.3	1.5	1.6	1.6	1.7	1.7	1.9	2.2	2.1	2.6	3.5	3.6
	Korea	0.6	0.6	0.9	1.4	1.9	2.5	2.6	2.3	2.6	2.6	2.4	3.2	3.8	3.7	3.6	3.7	4.1	4.8	5.4
	Taiwan	0.1	0.0	-0.2	1.4	1.2	2.1	2.4	1.8	1.9	2.3	2.6	2.5	2.9	2.6	2.8	2.3	3.3	3.4	3.4
	India	6.9	4.6	4.1	5.0	5.5	4.2	6.3	6.3	5.6	5.3	4.3	4.5	4.9	5.7	6.0	6.1	7.0	7.8	7.0
	Brazil	4.3	4.5	4.6	5.2	6.1	6.8	8.1	8.3	9.0	9.7	10.2	10.7	10.7	10.1	10.4	10.5	11.3	12.1	11.7
	Mexico	3.3	3.2	3.5	3.8	4.7	6.1	5.9	5.9	5.8	5.6	6.0	6.2	7.4	7.4	7.1	7.3	7.5	7.7	7.7
	Russia	4.5	4.9	5.2	5.7	5.8	5.5	6.0	6.5	6.5	6.7	7.4	8.1	8.4	8.4	8.7	9.2	16.7	17.9	17.1

Source: : Bank of Mexico, DGBAS, ECB, Goskomstat of Russia, IBGE, India Ministry of Statistics & Programme Implementation, Japan Ministry of Internal Affairs & Communication, Korean National Statistical Office, National Bureau of Statistics China, ONS, Refinitiv Datastream, Riksbank, Statistics Indonesia, Swiss National Bank, US Federal Reserve,

Despite a tight labour market, wage growth remains low and there has been no significant increase in property rents. While we do not expect these developments yet to elicit any change in BoJ policy, we continually monitor available data and will reappraise our views if circumstances change. In particular, we are aware that policy may shift with the likely appointment of a new BoJ governor next spring.

Improvements in Japan's corporate governance continue, with more companies focused on improving shareholder returns. The country is in the process of a major technological transformation that should deliver growth and productivity gains over the medium term. Japanese equity markets are more vibrant than some investors appreciate, with many new and interesting listings on the Tokyo Stock Exchange each year.

Number of IPOs in Japan



Thus, Japan offers a strong environment for the kind of dynamic, quality businesses in which we invest and Japan is an attractive market in which to build a differentiated portfolio. This is particularly true for active, bottom-up investors like us, supported by a large, Tokyo-based team of researchers.

We are optimistic about the long-term prospects of our portfolio holdings and will continue our search for exciting companies 'at the heart of Japan's new growth' and those capable of thriving regardless of the near-term macroeconomic environment. Most importantly, we remain confident that our investment approach will ensure the Company continues to deliver outperformance over the long term.

Nicholas Weindling
Miyako Urabe
Investment Managers

13th December 2022

Environmental, Social and Governance Report

Environmental, Social and Governance Report (‘ESG’)

‘We seek to identify investee companies that run their businesses in a sustainable and efficient way, with high-quality board decision-making, and aim to influence their behaviour and encourage best practice through dialogue. We engage on multiple topics that affect valuation and propriety’.

Background

Our research-driven process seeks to deliver stronger financial outcomes by focusing on the most critical ESG issues that impact the performance of companies in which we invest. We advocate robust corporate governance and sustainable business practices to support long-term value creation. We engage actively with investee companies both directly and by casting our votes at their Annual General Meetings, and collaborate with other investors.

For example, we are part of the Japan Working Group of the Asian Corporate Governance Association, which sent a letter to the Japanese FSA and JPX/TSE to urge them to set targets for achieving faster and higher levels of board gender diversity on Japanese-listed companies. The letter suggests that all TSE Prime companies be required to achieve 30% female representation on boards by 2030 through amendments to the TSE listing rules, and the Corporate Governance Code should encourage all listed companies to reach this level sooner if they can.

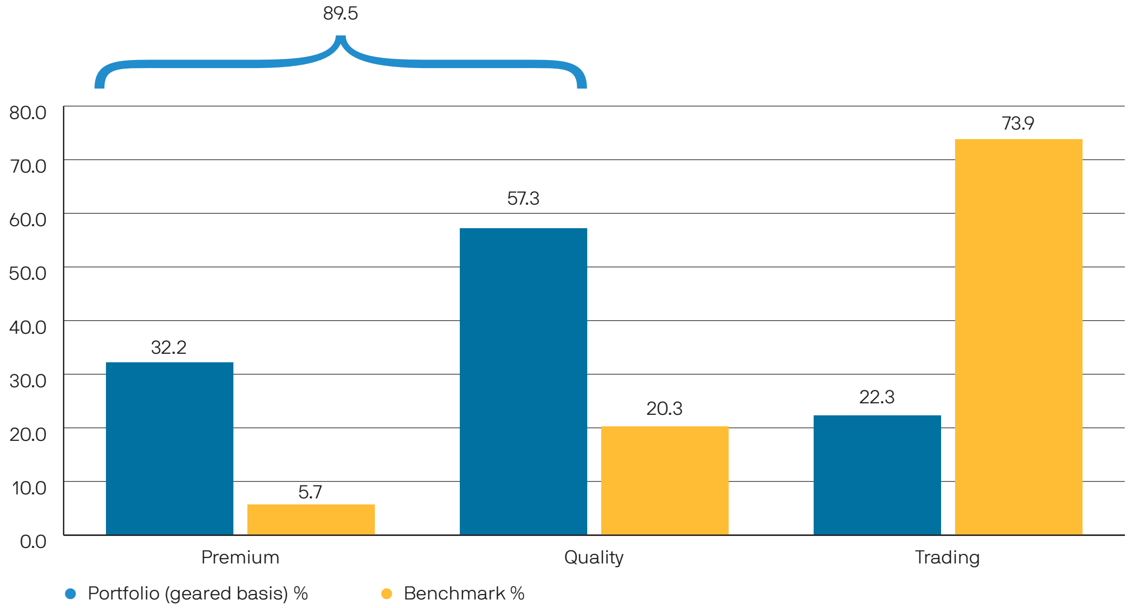
As part of JPMAM’s firmwide strategy to accelerate the shift to a more sustainable, low-carbon future and the global transition to net zero we aim to support our clients with climate-aware investing. In 2021, we became signatories to the Net Zero Asset Managers Initiative. We have materially increased our active engagement with investee companies on climate change globally. Through leading industry associations we collaborate with companies, investors and regulators on climate risk.

Successful integration of ESG into the investment process and effective engagement in Japan requires detailed research, patience and persistence, which is best done by experienced local staff. Our team of Tokyo-based investment managers, analysts and stewardship specialists are well positioned to ensure the effectiveness of our engagement on behalf of your Company. This ESG report builds on reports contained in previous Annual and Interim Reports.

How do we integrate ESG into our investment processes?

We integrate ESG considerations across our qualitative assessment of a business; the charts below demonstrate the impact this has on the portfolio compared to the benchmark. First, we assign each business a strategic classification that ranges from Premium (best) to Quality and then to Trading. This label is arrived at after a thorough examination of economics, governance and the strength of the business model to endure. Environmental and Social issues have always been part of our assessment of duration, along with broader considerations like the competitive and regulatory landscape faced by the business.

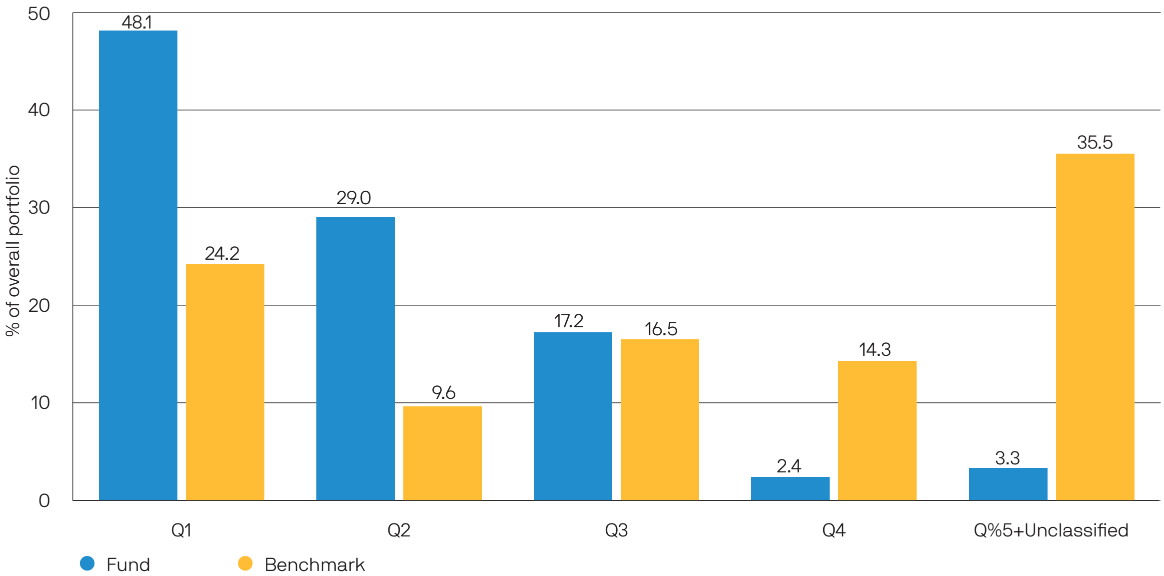
Strategic classification: Portfolio versus Benchmark



Source: J.P. Morgan Asset Management; as at 30th September 2022.

Second, our research analysts complete a 98-question risk profile for each of the c. 400 companies that we cover. Two thirds of these questions relate to environmental, social and governance issues with the remainder considering broader risks, such as financial risk and regulatory risk. The chart shows the portfolio versus the index on the exposure to the different quintiles by red flags. We rank all covered stocks based on the number of red flags, lowest to highest, and split them into quintiles with c. 80 names in each quintile. Uncovered stocks in the benchmark are aggregated into '5Q+Unclassified'. As can be seen in the chart, the portfolio has a significant tilt towards companies in the first quintile.

Risk Profile: Portfolio vs Benchmark



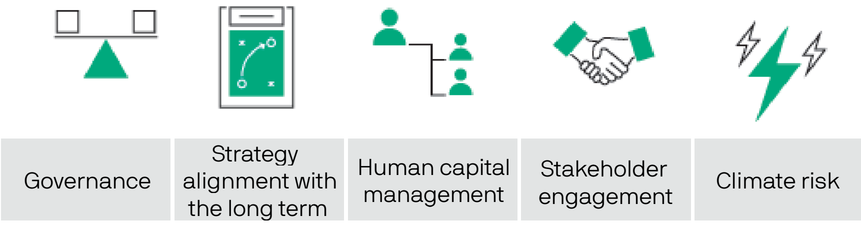
Source: J.P. Morgan Asset Management; as at 30th September 2022.

The third stage is a materiality framework. This sees our specialist sector analysts determine which are the most important environmental, social and governance issues within individual industries and score companies on those in order to identify leaders and laggards.

Environmental, Social and Governance Report

ESG Engagement

JPMorgan Asset Management engages actively with investee companies to promote standards, principles and outcomes it believes are desirable. To shape that engagement, five overarching principles are defined by the specialist Sustainable Investment team within JPMAM.

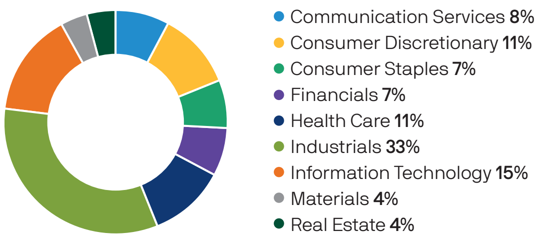


JPMAM in Tokyo has been a signatory to the Japanese Stewardship Code since May 2014 and in 2022 JPMAM became a signatory to the UK Stewardship Code. JPMAM exercises its stewardship responsibilities globally, not least in Japan. A copy of the JPMorgan Asset Management 2021 Investment Stewardship Report can be accessed at https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/sustainable-investing/investment-stewardship-report.pdf

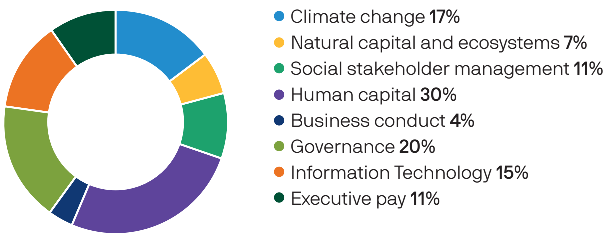
Recent Corporate Engagement

Working closely with colleagues in London, New York and Hong Kong, the Investment Stewardship team and investment team in Japan conducted 45 engagements with 27 portfolio companies in the year to 30th September 2022, specifically to discuss ESG issues. The companies engaged with represented 72% (by value) of the portfolio and were in the following sectors with the engagements broken down as follows:

Companies Engaged by Sector



Engagement by Theme



Examples of Specific Recent ESG Engagements

The case studies below illustrate how these principles and frameworks set out in this report work together to create a coherent and effective approach to corporate engagement. The companies mentioned are all held in your company's portfolio and are just a few examples of the ongoing dialogue that we maintain with all the companies in which we invest on your behalf.

Environmental

Itochu Corp has a policy and strategy to prohibit new investment in thermal coal with full divestment by FY 2023. In addition, it is committed to carbon neutrality by 2050 and a 40% reduction in GHG emissions by 2030 compared with 2018. However, it is not clear whether their roadmap will achieve these targets. We therefore met with the company to understand its policy and targets to reduce emissions. We have encouraged the company to disclose its scope 1, 2 and 3 emissions and to make the target science based. We have also asked the company to be more explicit in its investment policy related to fossil fuel assets and power generation compared to what it currently has set out. We will continue to monitor and engage as required.

Social

We met with the senior executive officer and general managers of ASICS, a manufacturer and distributor of sporting goods and equipment, to discuss its supply chain management systems in light of the risks of reputational impact related to the treatment of workers in the supply-chain. ASICS has developed a sustainability framework with a particular emphasis on human rights in the supply chain and employee engagement. We are encouraged by the good practices it has adopted to-date; however, we recommended that it provides more granular disclosure on supplier engagement to enable initiatives to be fully discussed. In addition to helping our engagement with the company, this would also serve as a benchmark for other peers in the apparel industry. We also encouraged the company to continue its proactive initiatives for supply-chain management and to take the lead in implementing global frameworks on sustainability in the apparel industry. We will monitor on an ongoing basis.

Governance

We engaged with WealthNavi, a wealth management platform, to give our views on what initial steps it should take on sustainability disclosure as a newly public company. We set out what we believe is best practice, including in relation to a sustainability governance structure, medium to long term policies and the relevant data that should be monitored. We strongly recommended it ensures accountability for the board nomination process and its effectiveness as well as the independence of outside directors. We also encouraged them to explain how the company would tackle female representation in the IT engineering field. We will monitor the development of ESG frameworks and disclosures on sustainability, including the independence of outside directors, the board nomination process and board effectiveness.

Voting for the 12 months to 30th September 2022

The Company voted at all of the 63 annual general meetings and 3 extraordinary general meetings of investee companies held during the 12 months to 30th September 2022. A summary of key voting statistics and activity undertaken in respect of stocks in the Company's portfolio for the 12 months to 30th September 2022 is detailed below.

Voting at Shareholder Meetings Held During the Year to 30th September 2022

	For	Against	Abstain	Against/ Abstain Total	Total Items	% Against
Election of Directors	426	96	0	96	522	18.4%
Election of Statutory Auditors	34	3	0	3	37	8.1%
Director Remuneration	36	6	0	6	42	14.3%
Income Allocation	18	15	0	15	33	45.5%
Reorganisation and Mergers	1	0	0	0	1	0.0%
Amendment to articles of association	57	5	0	5	62	8.1%
Ratify auditors	1	0	0	0	1	0.0%
Approve Reduction in Share Capital	3	0	0	0	3	0.0%
Total	**576**	**125**	**0**	**125**	**701**	**17.8%**

Major reasons for votes being cast against management included lack of majority outside directors or gender diversity in the board, candidates for external directors lacking in independence and insufficient shareholder return at companies generating strong free cash flow.

The Carbon Scorecard

The portfolio companies have low carbon emissions, which is unsurprising, given our emphasis on newer industries. While the carbon footprint is an important starting point to help understand the portfolio's exposure to climate risks, we also review the strategic initiatives undertaken by individual companies to manage their environmental impact. The table below contains the numbers as at 30th September 2022 (and for 30th September 2021 in brackets). The increase compared to last year is primarily due to the new purchases of Nippon Sanso, JSR, ITOCHU and Nippon Telegraph and Telephone.

	Carbon Emissions tons CO_2e/$M invested	**Carbon Intensity** tons CO_2e/$M invested	**Weighted Average Carbon Intensity** tons CO_2e/$M sales
Portfolio	**25.2 (8.1)**	**49.0 (38.6)**	**48.8 (33.4)**
Coverage by Portfolio Weight*	99.1% (98.2%)	99.1% (98.2%)	99.1% (98.2%)
Index	**227.3 (195.9)**	**175.6 (180.5)**	**92.8 (91.6)**
Coverage by Portfolio Weight*	99.1% (99.1%)	99.1% (99.1%)	99.1% (99.1%)

* Coverage may vary by metric because the metrics are calculated using different underlying factors. Shows the percentage of the Portfolio/Index in respect of which carbon data is calculated.

J.P. Morgan Asset Management (Japan) Limited
13th December 2022

Portfolio Information

Ten largest investments

As at 30th September

Company	Portfolio Theme	2022 Valuation £'000	2022 Valuation %[1]	2021 Valuation £'000	2021 Valuation %[1]
Keyence Keyence is a global leader in manufacturing sensors for factory automation, which has seen the company's market share grow from 30% to over 50%. We believe that factory automation will be a key growth area in the long term given the ample opportunities to streamline factory operations and enhance productivity in the industrials space.	Automation	59,477	7.3	88,680	6.8
Tokio Marine[2] Tokio Marine operates in property and casualty insurance and life insurance. The domestic market has consolidated into an oligopoly and is extremely profitable, and the company's overseas acquisitions have been sensible and well executed. The shareholder return policy is good and the company's valuation is cheap on both short-term and long-term measures.	Stock Specific	40,404	5.0	—	—
Sony Sony Group is a multinational conglomerate corporation, which engages in consumer electronics, technology, entertainment and gaming businesses. The company successfully restructured its unprofitable legacy businesses; is making stronger efforts in its content business; and profitability is improving. The investment case for the company is the pursuit and application of latest technologies in both software and hardware areas; transforming from a pure electronic hardware manufacturer to world-class entertainment group.	Internet	37,823	4.6	54,470	4.2
Obic Obic is a leading ERP (Enterprise resource planning) software vendor in Japan, providing computer systems and support primarily for SMEs. 50% of Japanese companies have their own proprietary IT systems which are becoming increasingly expensive and difficult to maintain, particularly as the working population declines resulting in a lack of software engineers. This creates a long and strong tailwind for OBIC's standardised product offering. OBIC has a strong corporate culture with extremely low staff turnover with excellent profitability.	Ageing population	37,530	4.6	44,343	3.4
Shin-Etsu Chemical The world's largest supplier of semiconductor materials. Due to its large market share, the company has strong pricing power. It has consistently delivered stellar earnings growth with an EBIT Margin more than 30%. The company's balance sheet has been too strong with a large amount of net cash, but it has recently shown signs of improvement in its shareholder return policy.	Healthcare	34,143	4.2	37,327	2.9
Nintendo Nintendo develops, manufactures and sells home-use video game hardware and software. Nintendo has made 25 of the 50 bestselling computer games of all time, such as Super Mario, The Legend of Zelda and Dragon Quest. The company's characters are popular with people from all generations from small children to grandparents. We believe that gaming companies with strong intellectual properties are benefiting from a long-term structural trend of the shift from console-based games to downloaded games, as profit margins are likely to expand significantly.	Japanese brands	32,585	4.0	35,095	2.7
Nomura Research Institute[3] Nomura Research Institute is an IT service company. It has a large domestic market share due to its competitive consulting business and IT engineer services for financial services. Profitability has been constantly improving and the business is solid with 60-65% of sales recurring. It is a long-term beneficiary of strong demand from the Japanese corporate sector upgrading its systems to improve productivity.	Internet	31,837	3.9	30,205	2.3
Nippon Telegraph & Telephone[2] Nippon Telegraph and Telephone Corporation (NTT) is the largest telecom company in Japan. NTT has an attractive valuation on all metrics, 15% ROE, strong earnings and excellent shareholder returns. The company is benefiting from a very large number of retirements. It is certain that the company's costs will continue to fall as expensive employees retire and are either not replaced or at lower levels of remuneration.	Aging Population	31,271	3.8	—	—
Hoya Hoya's glass substrates used in hard disk drives are in strong demand from cloud vendors' data centres. Glass is currently used in just 20% of these drives but because of the superior properties of the material, we expect this to grow rapidly. HOYA aims to take market share from the traditional aluminium disk HDD switching to glass substrates, where Hoya is the only meaningful player with this technology. Overall, the company has delivered consistently high operating margins and ROE, and its free cash flow has always been positive.	Stock specific	29,585	3.6	76,712	5.9
Hitachi[3] Hitachi is a conglomerate company, which is undergoing sensible restructuring and governance progress. The company has a target to improve ROE to double digits, exit non-core businesses and focus on ROIC targets for each business. Its core IT business is profitable and growing. The company has been accelerating growth with digital, green and innovation drivers. Thanks to its acquisition of ABB Power Grid, it is now the global leader in transmission lines. These lines are an increasingly valuable asset, as renewable energy sources require 3-4x more transmission lines than thermal power sources.	Environment	24,470	3.0	28,492	2.2
Total		**359,125**	**44.0**	**See footnote 4**	

[1] Based on the total portfolio investments of £815.8m (2021: £1,300.9m).
[2] Not held in the Portfolio as at 30th September 2021.
[3] Not included in the ten largest investments at 30th September 2021.
[4] At 30th September 2021, the value of the ten largest investments amounted to £549.2m, representing 42.2% of total portfolio investments.

Portfolio Information

Stock market sector analysis

	30th September 2022		30th September 2021	
	Portfolio %[1]	Benchmark %	Portfolio %[1]	Benchmark %
Information Technology	25.3	12.5	27.1	13.6
Industrials	23.3	24.0	25.9	24.0
Consumer Discretionary	11.6	17.7	14.1	18.2
Health Care	11.1	9.2	15.4	9.1
Communication Services	10.8	8.8	7.2	7.9
Financials	6.7	10.0	2.9	9.2
Materials	6.3	5.6	2.9	6.3
Real Estate	2.6	2.3	2.0	2.3
Consumer Staples	2.3	7.7	1.8	7.5
Utilities	—	1.3	0.7	1.2
Energy	—	0.9	—	0.7
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on the total portfolio investments of £815.8m (2021: £1,300.9m).

Portfolio Information

List of investments

As at 30th September

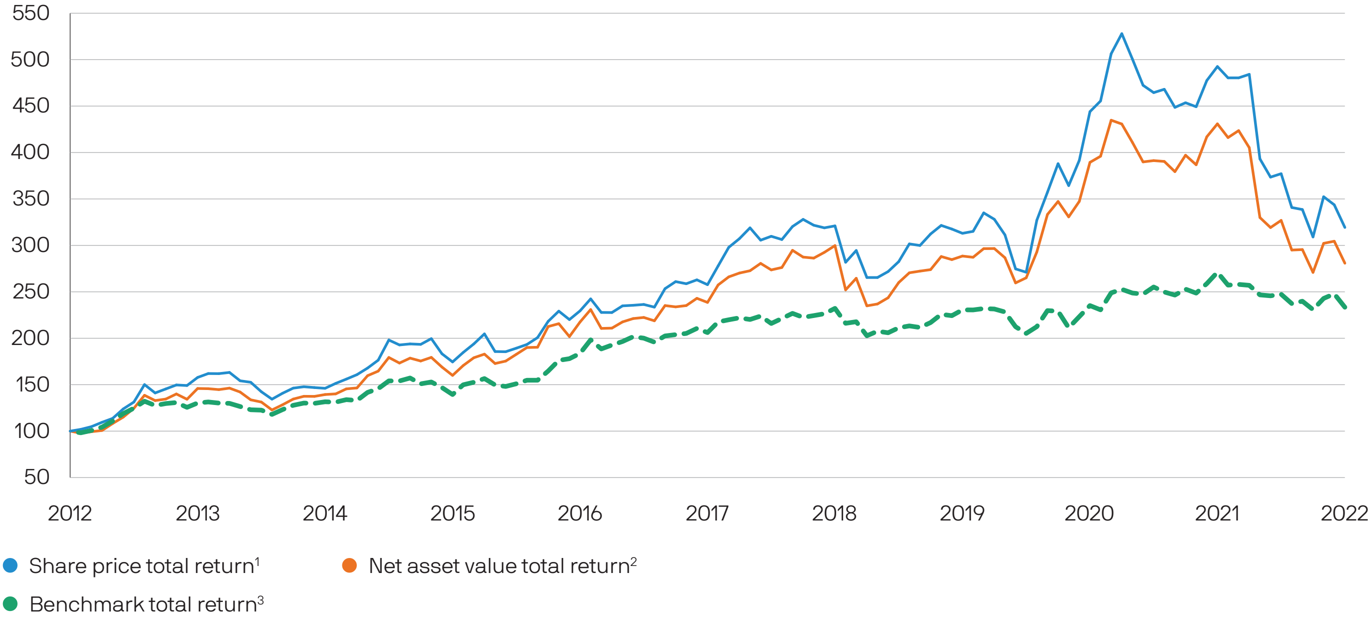
Company	Valuation £'000
Information Technology	
Keyence	59,477
Obic	37,530
Nomura Research Institute	31,837
Tokyo Electron	20,054
Murata Manufacturing	15,596
GMO Payment Gateway	12,402
Digital Garage	8,758
Otsuka	7,407
Money Forward	3,517
Freee	2,666
Infomart	2,634
SpiderPlus	2,117
Lasertec	2,026
	206,021
Industrials	
Hitachi	24,470
Recruit	24,108
MonotaRO	21,954
Daikin Industries	21,181
ITOCHU	20,170
SMC	17,505
Nihon M&A Center	14,026
Miura	14,023
Benefit One	9,050
MISUMI	8,783
Japan Elevator Service	6,984
JGC	4,469
Yamashin-Filter	3,225
	189,948
Consumer Discretionary	
Sony	37,823
ASICS	17,989
Fast Retailing	10,983
ZOZO	8,522
Shimano	7,825
Riso Kyoiku	6,238
PALTAC	5,596
	94,976

Company	Valuation £'000
Health Care	
Hoya	29,585
Terumo	16,997
As One	9,703
Kissei Pharmaceutical	8,419
Asahi Intecc	7,152
Nakanishi	6,116
Sysmex	5,518
Medley	3,859
M3	2,413
Healios	663
	90,425
Communication Services	
Nintendo	32,585
Nippon Telegraph & Telephone	31,271
Capcom	11,013
Square Enix	9,693
CyberAgent	3,284
	87,846
Financials	
Tokio Marine	40,404
Japan Exchange	12,459
WealthNavi	2,154
	55,017
Materials	
Shin-Etsu Chemical	34,143
Nippon Sanso	8,287
JSR	6,502
Nippon Paint	2,870
	51,802
Real Estate	
Nippon Prologis REIT	16,250
Canadian Solar Infrastructure Fund	4,964
	21,214
Consumer Staples	
Milbon	8,514
Cosmos Pharmaceutical	6,731
Ain	3,295
	18,540
Total Investments	**815,789**

Ten-Year Record

Ten-Year absolute performance

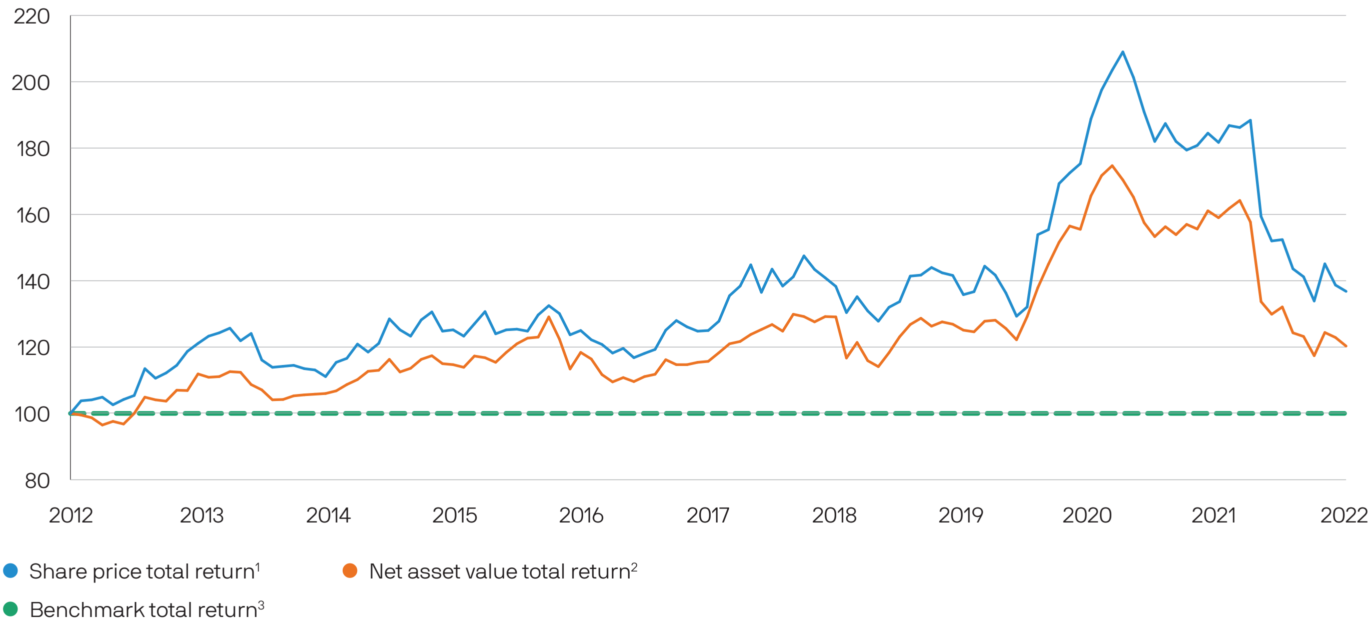
Figures have been rebased to 100 at 30th September 2012



[1] Source: Morningstar.
[2] Source: Morningstar/J.P.Morgan, using net asset value with debt at fair value.
[3] Source: Morningstar. The Company's benchmark is the TOPIX Index expressed in sterling terms.

Ten year performance relative to benchmark[3]

Figures have been rebased to 100 at 30th September 2012



[1] Source: Morningstar.
[2] Source: Morningstar/JPMorgan, using net asset value with debt at fair value.
[3] Source: Morningstar. The Company's benchmark is the TOPIX Index expressed in sterling terms.

Ten-Year Record

At 30th September	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total assets less current liabilities (£'m)	302.1	494.8	408.4	513.2	693.2	778.2	986.1	913.7	1,236.5	1,313.6	841.3
Net asset value per share with debt at fair value (p)[A]	187.3	267.8	253.3	287.5	387.5	421.0	523.6	498.0	665.8	731.7	473.2
Share price (p)	154.5	238.3	218.0	257.3	335.0	372.0	458.0	441.0	619.0	682.0	438.5
Share price discount to net asset value per share with debt at fair value (%)	17.5	11.0	13.9	10.5	13.5	11.6	12.5	11.4	7.0	6.8	7.3
12 month average share price discount to net asset value per share with debt at fair value (%)[1]	14.0	11.8	9.6	10.7	12.4	12.0	9.2	9.0	10.4	3.9	5.7
Gearing (%)[A]	9.0	13.7	12.7	6.4	9.5	13.6	14.7	13.1	14.8	12.7	11.7
Yen exchange rate (=£1)	125.6	158.9	177.8	181.4	131.5	151.0	148.1	133.2	136.4	150.4	161.6

Year ended 30th September											
Gross revenue attributable to shareholders (£'000)	8,121	6,041	5,715	6,970	8,725	11,640	11,958	11,813	11,442	13,003	14,698
Revenue return per share (p)[A]	4.10	2.78	2.46	3.06	3.97	5.52	5.53	5.52	5.21	5.99	7.48
Dividend per share (p)	3.65	2.80	2.80	2.80	3.65	5.00	5.00	5.00	5.10	5.30	0.62
Ongoing charges (%)[A]	0.77	0.78	0.78	0.77	0.74	0.69	0.67	0.68	0.65	0.61	0.68

Rebased to 100 at 30th September 2012											
Share price total return[1,A]	100.0	157.8	146.1	174.5	229.5	257.7	321.0	313.0	444.0	492.6	319.3
Net asset value total return[2,A]	100.0	145.9	139.4	160.0	217.5	238.6	299.8	288.5	389.4	430.9	280.8
Benchmark total return[3]	100.0	130.3	131.6	139.4	183.7	206.1	232.2	230.6	235.2	271.1	233.4

[1] Source: Morningstar/J.P. Morgan.
[2] Source: Morningstar/J.P. Morgan, using net asset value with debt at fair value.
[3] Source: Morningstar. The Company's benchmark is the TOPIX Index expressed in sterling terms.
[A] Alternative performance measure ('APM').

A glossary of terms and APMs is provided on pages 96 and 97.

Business Review

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Company has performed. To assist shareholders with this assessment, the Strategic Report sets out the structure and objective of the Company, its investment policies and risk management, investment restrictions and guidelines, performance, total return, revenue and dividends, key performance indicators, share capital, the Company's environmental, social and ethical policy, principal and emerging risks and how the Company seeks to manage those risks and finally its long-term viability.

The Company's Purpose, Values, Strategy and Culture

The purpose of the Company is to provide a cost effective investment vehicle for investors who seek capital growth from a portfolio of Japanese equities, taking account of wider issues including environmental, social and governance considerations. To achieve this, the Board of Directors is responsible for employing and overseeing an investment management company that has appropriate investment expertise, resources and controls in place to meet the Company's investment objective. To ensure that it is aligned with the Company's purpose, values and strategy, the Board comprises Directors from a diverse background, including gender and ethnicity, who have a breadth of relevant experience and contribute in an open and transparent boardroom culture that both supports and challenges the Manager and its other third party suppliers. The Board's culture itself is one of openness, collaboration and transparency of debate. The Directors are comfortable to give their opinions in a respectful environment, allowing challenge and constructive discussion. The Board maintains a desire for strong governance and diversity of thought. All Directors act with integrity, lead by example and seek to promote the Company's culture through ongoing dialogue and engagement with its stakeholders. For more information, please refer to pages 37 and 38.

Business Review

Objective of the Company

The Company's objective is to provide shareholders with capital growth from investment in Japanese companies. Performance is judged against a benchmark, that is the Tokyo Stock Exchange Index ('TOPIX') with net dividends reinvested, expressed in sterling terms.

Structure of the Company

JPMorgan Japanese Investment Trust plc is an investment trust and public limited liability company, with a premium listing on the London Stock Exchange, and is currently a constituent of the FTSE 250 Index. In seeking to achieve its objective the Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') to manage actively the Company's assets. The Board has determined an investment policy and related guidelines and limits, as described below.

The Company is subject to legislation and regulations including UK company law, Financial Reporting Standards, the UK Listing, Prospectus, Disclosure and Transparency rules, the 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 HMRC as an investment trust (for the purposes of Sections 1158 and 1159 of the Corporation Tax Act 2010). The Directors have no reason to believe that the Company will not continue to retain its investment trust status. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 8 to 11, and in the Investment Managers' Report on pages 12 to 19.

Investment Policies and Risk Management

In order to achieve the investment objective and to seek to manage risk, the Company invests in a diversified portfolio of quoted Japanese companies, or securities providing an indirect investment in Japan. The Investment Managers seek to focus on quality growth stocks with strong future growth prospects, which means that, within some broad portfolio risk limits, the Company's portfolio is likely to differ materially from the benchmark index as the Investment Managers will usually avoid companies and sectors that face structural issues even if they are a large constituent of the benchmark index. The portfolio usually has a significant exposure to the domestic Japanese economy, with selective exposure to overseas earnings. The Investment Managers do not hedge the portfolio against foreign currency risk. The Company conducts its affairs so as to maintain approved investment trust status in the UK.

The Company is managed to produce capital growth and not to produce any particular level of dividend and therefore the level of dividend will vary. The dividend reflects the available revenue for distribution each year and accordingly there are likely to be fluctuations year on year.

The Board determines the Company's capital structure and gearing policy with input from the Manager. The Board's gearing policy is that the Company will remain invested in the range of 5% net cash to 20%, under normal market conditions. The Company makes use of both long and short term borrowings to increase returns.

The Board has set no minimum or maximum limits on the number of investments in the portfolio but it is a relatively concentrated portfolio consisting typically of between 50 and 100 investments. The average number of holdings in the portfolio has reduced in recent years as the Investment Managers have focused on those companies that have strong balance sheets, using first hand company research and analysis. The assets are managed by Investment Managers based in Tokyo.

Business Review

Investment Restrictions and Guidelines

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

- The Company must maintain 97.5% of investments in Japanese securities or securities providing an indirect investment in Japan. (30th September 2022: 97.5%).
- No investment to be more than 5.0% in excess of benchmark weighting at time of purchase and 7.5% at any time. (30th September 2022: 5.0%).
- The Company does not normally invest in unquoted investments and to do so requires prior Board approval. (30th September 2022: 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 2022: 11.7%).
- The Company does not normally enter into derivative transactions and to do so requires prior Board approval. (30th September 2022: 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 2022: nil).

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

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

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

Performance

In the year ended 30th September 2022, the Company produced a total return to shareholders of –35.2% and a total return on net assets (with debt at fair value) of –34.8%. This compares with total return on the Company's benchmark of –13.9%. As at 30th September 2022, the value of the Company's investment portfolio was £815.8 million. The Investment Managers' Report on pages 12 to 19 includes a review of developments during the year as well as information on investment activity within the Company's portfolio and the factors likely to affect the future performance of the Company.

Total Return, Revenue and Dividends

Gross loss for the year amounted to £395.2 million (2021: Gross Total return £118.5 million) due to the fall in unrealised gains on investments as a result of market movements. The net loss after deducting the management fee, other administrative expenses, finance costs and taxation, amounted to £404.1 million (2021: Net Total return £109.1 million). Distributable income for the year amounted to £11.7 million (2021: £9.5 million).

The Directors have declared a final dividend of 6.2p (2021: 5.3p) per share. This dividend amounts to £9.5 million (2021: £8.3 million) and the revenue reserve after allowing for the dividend will amount to £9.0 million (2021: £6.4 million). The dividend will be subject to shareholder approval at the forthcoming Annual General Meeting.

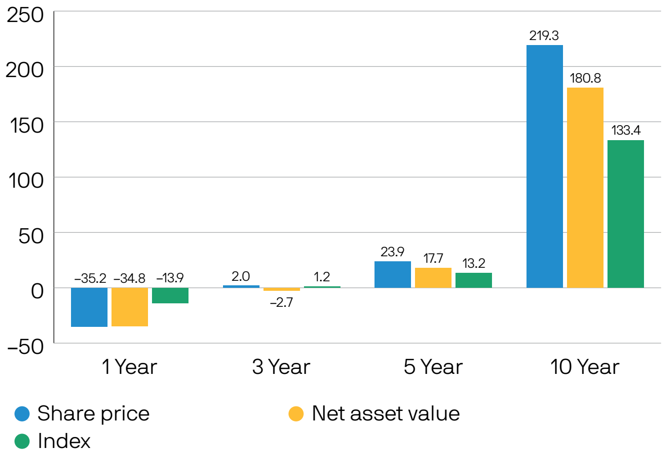
Key Performance Indicators ('KPIs')

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

Performance v Benchmark

Performance against the benchmark index

This is the most important KPI by which performance is judged. The Board also regularly reviews performance attribution analysis which illustrates how the Company achieved its performance relative to its benchmark index. Details of the attribution analysis for the year ended 30th September 2022 are given in the Investment Managers' Report on page 12.



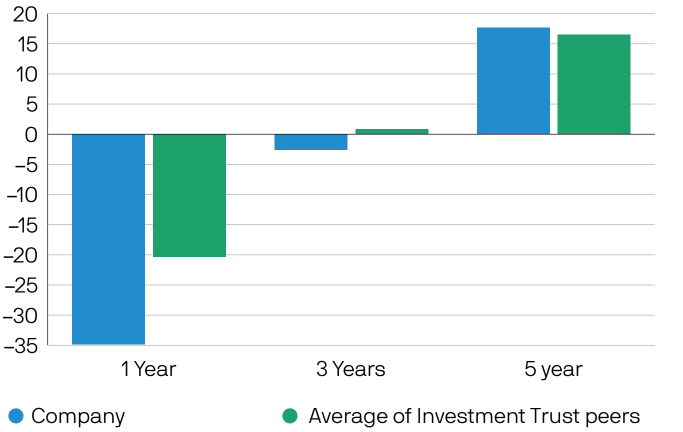
Source: Morningstar/JP Morgan, using net asset value with debt at fair value.

Performance v Peers (%)

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.

Business Review

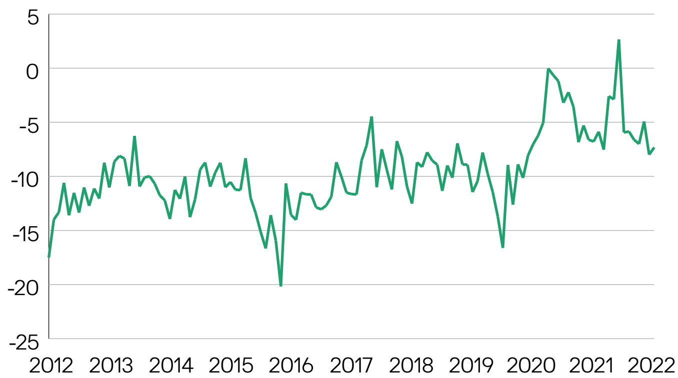


Source: Morningstar/J.P. Morgan, using net asset value with debt at fair value.

Share price discount

The Board recognises that a widening of, and volatility in, the Company's discount is seen by some investors as a disadvantage of investments trusts, and so, given the strong investment team, process and performance, a narrower and more stable discount has been an increasingly important area of focus for the Board. In the year to 30th September 2022, the shares traded between a premium of 2.7% and a discount of 10.6%, at an average discount of 5.7% and ended the year at 7.3%. Since the year end, the discount has narrowed further and averaged 7.1% over the two months to 30th November 2022.

Discount (%) as at 30th September



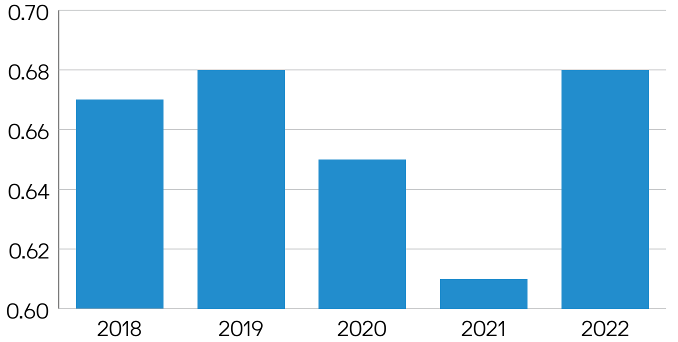
JPMorgan Japanese Investment Trust plc – share price (discount)/premium to cum income net asset value per share (month end data – the figures detailed in the text above includes every business day throughout the year).

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

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 2022 were 0.68% (2021: 0.61%). Each year the Board reviews an analysis that shows a comparison of the Company's ongoing charges and its main expenses against those of its peers. The ongoing charges calculation is shown in the Glossary of Terms and Alternative Performance Measures on pages 96 and 97.

Ongoing Charges Ratio (%)



Source: J.P. Morgan.

Share Capital

The Directors have, on behalf of the Company, the authority both to repurchase shares in the market for cancellation, or to hold in Treasury, and to issue new shares for cash or from Treasury.

A total of 2,278,345 shares were repurchased into Treasury during the year under review, for a total consideration of £11.8 million. This represented 1.45% of the shares in issue at the start of the financial year. The Company did not allot any new shares for cash. Since the year end and to the date of this report, a further 735,000 shares have been repurchased into Treasury.

Resolutions to renew the authorities to issue new shares and to repurchase shares for cancellation and/or for holding in Treasury will be put to shareholders for approval at the forthcoming Annual General Meeting.

The full text of these Resolutions is set out in the Notice of Meeting on pages 92 to 95.

Board Diversity

At 30th September 2022, there were four male Directors and two female Directors on the Board. The Company has no employees. The Board's policy is to appoint individuals on merit with full regard to the need for a mix of skills in the Board and industry standards on diversity and gender.

The Board remains committed to appointing the most appropriate candidate, Diversity is important in bringing an appropriate range of skills and experience to the Board and an assessment is made of the qualities and skills of the existing Board before appointing new directors.

Having completed a review of the skills and experience of Directors, the Board feels that they are equipped with the

Business Review

necessary attributes required for the sound stewardship of the Company and that their knowledge sets allow for lively and engaging debates.

Board Composition from 31st October 2022

	Gender	Ethnicity
Christopher Samuel	Male	White British
Sir Stephen Gomersall	Male	White British
Stephen Cohen	Male	White British
Anna Dingley	Female	White British
Sally Duckworth	Female	White British
Sally Macdonald	Female	White British
George Olcott	Male	White British and Asian

Employees, Social, Community and Human Rights Issues

The Company is managed by JPMF, 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.

Environmental, Social and Governance ('ESG')

The Board supports and receives reporting on the Investment Manager's approach to ESG considerations, which are fully embedded into the investment process. A detailed explanation of the Investment Manager's overall approach to ESG is on page 20 to 23. The Board further notes JPMAM's global policy statements in respect of Environmental, Social and Governance issues, as highlighted in italics:

JPMAM believes that companies should act in a socially responsible manner. We believe environmental, social and governance ('ESG') considerations, particularly those related to governance, can play a critical role in long-term investment strategy. As an active investment manager, engagement is an important and ongoing component of our investment process, and we view frequent and direct contact with company management as critically important. When considering investment options, we supplement our proprietary thinking with research from a variety of third-party specialist providers and engage directly with companies on a wide array of ESG issues. Our governance specialists regularly attend scheduled one-on-one company meetings alongside investment analysts to help identify and discuss relevant issues. Although our priority at all times is in the best economic interests of our clients, we recognise that ESG issues have the potential to impact the share price, as well as the reputation of companies. JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. The Manager has implemented a policy which seeks to restrict investments in securities issued by companies that have been identified by an independent third party provider as being involved in the manufacture, production or supply of cluster munitions, depleted uranium ammunition and armour and/or anti-personnel mines. Shareholders can obtain further details on the policy by contacting the Manager.

Greenhouse Gas Emissions

The Company has a management contract with JPMF. It has no employees and all of its Directors are non-executive. The day to day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees. The Company itself has no premises, consumes no electricity, gas or diesel fuel and consequently has a minimal carbon footprint. As a low energy user under HMRC guidelines, it is not required to disclose energy and carbon information. The Board notes the JPMAM policy statements in respect of Social, Community and Environmental and Human Rights issues and Greenhouse Gas Emissions and that 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. See www.jpmorganinvestmenttrusts.co.uk/governance for further details.

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. J.P.Morgan's statement on the MSA can be found on the following website: https://www.jpmorganchase.com/about/ourbusiness/human-rights

Corporate Criminal Offence

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

Principal and Emerging 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. With the assistance of JPMF, the Audit Committee has drawn up a risk matrix, which identifies the key risks to the Company. These are reviewed and noted by the Board. The risks identified and the broad categories in which they fall, and the ways in which they are managed or mitigated are summarised below. The AIC Code of Corporate Governance requires the Audit Committee to put in place procedures to identify emerging risks. Emerging risks, which are not deemed to represent an immediate threat, are considered by Audit Committee as they come into view and are incorporated into the existing review of the Company's risk register. However, since emerging risks are likely to be more dynamic in nature, they are considered on a more frequent basis, through the remit of Board when the Audit Committee does not meet. The key principal and emerging risks identified are summarised below.

Principal risk	Description	Mitigating activities	Movement in risk status in year to 30th September 2022
Investment Management and Performance			
Underperformance	Poor implementation of the investment strategy, for example as to thematic exposure, sector allocation, stock selection, undue concentration of holdings, factor risk exposure or the degree of total portfolio risk, may lead to underperformance against the Company's benchmark index and peer companies.	The Board manages these risks by monitoring the Investment Managers diversification of investments and through its investment restrictions and guidelines, which are monitored and reported on by the Manager. The Investment Manager provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, at least one of whom usually attends all Board meetings, and reviews data which show measures of the Company's risk profile. The Investment Managers employ the Company's gearing tactically, within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.	↑
Widening Discount	A widening of the discount could result in loss of value for shareholders.	The Board monitors the level of both the absolute and sector relative premium/discount at which the shares trade. The Board reviews both sales and marketing activity and sector relative performance, which it believes are the primary drivers of the relative discount level. In addition, the Company has authority to buy back its existing shares to enhance the NAV per share for remaining shareholders when deemed appropriate.	↑
Market and Economic Risk	Market risk arises from uncertainty about the future prices of the Company's investments, which might result from political, economic, fiscal, monetary, regulatory or climate change, including the impact from energy shocks, recessions or wars. It represents the potential loss the Company might suffer through holding investments in the face of negative market movements. The Board considers thematic and factor risks, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by the Manager.	The Board believes that shareholders expect that the Company will and should be fairly fully invested in Japanese equities at all times. The Board therefore would normally only seek to mitigate market risk through guidelines on gearing given to the Investment Manager. The Board receives regular reports from the Investment Manager's strategists and Investment Managers regarding market outlook and gives the Investment Mangers discretion regarding acceptable levels of gearing and/or cash. Currently the Company's gearing policy is to operate within a range of 5% net cash to 20% geared. The Board also receives ESG reports from the Investment Manager on the portfolio and the way ESG considerations are integrated into the investment decision-making.	↑

Principal and Emerging Risks

Principal risk	Description	Mitigating activities	Movement in risk status in year to 30th September 2022
Currency Risk	Currency risk arises from currency volatility and/or significant currency movements, principally in the yen:sterling rate.	The majority of the Company's assets, liabilities and income are denominated in yen rather than in the Company's functional currency of sterling (in which it reports). As a result, movements in the yen:sterling exchange rate may affect the sterling value of those items and therefore impact on reported results and/or financial position. Therefore, there is an inherent risk from these exchange rate movements. It is the Company's policy not to undertake foreign currency hedging. Further details about the foreign currency risk may be found in note 22 on pages 81 and 82.	↑
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 Board seeks assurance that the Manager takes steps to reduce the risk arising from such an event by ensuring appropriate succession planning and the adoption of a team based approach, as well as special efforts to retain key personnel. The Board engages with the senior management of the Manager in order to mitigate this risk.	→
Global Inflation	Globally Government/Central Bank fiscal/monetary management could result in significant levels of inflation persisting and/or weaker economic growth and/or lower valuation levels.	The Manager's market strategists are available for the Board and can discuss market trends. External consultants and experts can be accessed by the Board. The Board can, with shareholder approval look to amend the investment policy and objectives of the Company, if required, to enable investment in companies which are less impacted by inflation risks.	↑
Operational Risks			
Outsourcing	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 or a misappropriation of assets.	Details of how the Board monitors the services provided by JPM 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 49 to 51. The Manager has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption (including and disruption resulting from the COVID-19 pathogen.	→
Cyber Crime	The threat of cyber attack, in all guises, is regarded as at least as important as more traditional physical threats to business continuity and security.	The Company benefits directly and/or indirectly from all elements of JPMorgan's Cyber Security programme. The information technology controls around physical security of JPMorgan's data centres, security of its networks and security of its trading applications, are tested by independent auditors and reported every six months against the AAF Standard.	→
Corporate Governance			
Loss of Investment Trust Status	In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). 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.	→

Principal and Emerging Risks

Principal risk	Description	Mitigating activities	Movement in risk status in year to 30th September 2022
Statutory and Regulatory Compliance	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 and Disclosure Guidance and Transparency Rules ('DTRs'). 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. Details of the Company's compliance with Corporate Governance best practice, are set out in the Corporate Governance Statement on pages 45 to 50.	→
Environmental			
Climate Change	Climate change has become one of the most critical issues confronting companies and their investors. Climate change can have a significant impact on the business models, sustainability and even viability of individual companies, whole sectors and even asset classes.	The Board receives ESG reports from the Manager on the portfolio and the way ESG considerations are integrated into the investment decision-making, so as to mitigate risk at the level of stock selection and portfolio construction. As extreme weather events become more common, the resiliency, business continuity planning and the location strategies of the Company's services providers will come under greater scrutiny.	↑

Emerging risk	Description	Mitigating activities	Movement in risk status in year to 30th September 2022
Specific to Japan			
Natural Disasters	Although natural disasters anywhere in the world could impact individual companies, the Board believes the largest such impact could arise from an earthquake causing general economic damage to Japan and to the operations of specific companies in the portfolio. The Japanese government believes there is a 70% probability of an earthquake, registering a magnitude seven on the Richter Scale, hitting Tokyo over the next 30 years.	The Manager reports on Business Continuity Plans ('BCPs') and other mitigation plans in place for itself and other key service providers. BCPs plans are regularly tested and applied, including split teams, relocations and limiting access to/meetings with third parties. The Manager discusses BCPs with investee companies.	↑
Global			
Social Dislocation & Conflict	Social dislocation/civil unrest may threaten global economic growth and, consequently, companies in the portfolio.	The Manager's market strategists are available for the Board and can discuss market trends. External consultants and experts can be accessed by the Board. The Board can, with shareholder approval, look to amend the investment policy and objectives of the Company to gain exposure to or mitigate the risks arising from geopolitical instability although this is limited if it is truly global.	↑
Global Recession	Government/Central Bank fiscal/monetary response geopolitical risks/rising cost of living could be ineffective in stimulating global recovery meaning rising debt levels lead to deflation and recession.	The Manager's market strategists are available for the Board and can discuss market trends. External consultants and experts can be accessed by the Board. The Board can, with shareholder approval look to amend the investment policy and objectives of the Company, if required, to enable investment in companies which are not impacted by inflation risks.	↑

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 and emerging risks that it faces and their potential impact on its future development and prospects, the Directors have assessed the prospects of the Company, to the extent that they are able to do so, over the next five years. They have made that assessment by considering those principal and emerging risks, the Company's investment objective and strategy, the liquidity of the Company's portfolio, the capabilities of the Manager and the current outlook for the Japanese economy and equity market.

In addition to the above, the Company carried out stress testing in connection with the Company's principal risks. The stress tests and scenarios considered the impact of severe market volatility on shareholders' funds. This included modelling substantial market falls, and significantly reduced market liquidity. The scenarios assumed that there would be no recovery in asset prices.

The results demonstrated the impact on the Company's NAV, its expenses and its ability to meet its liabilities. In even the most stressed scenario, the Company was shown to have sufficient cash, or to be able to liquidate a sufficient portion of its listed holdings, in order to meet its liabilities as they fall due.

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
Nira Mistry, for and on behalf of
JPMorgan Funds Limited,
Company Secretary

13th December 2022

Duty to Promote the Success of the Company

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

The Board is responsible for all decisions relating to the Company's investment objective and policies, gearing, discount management, corporate governance and strategy, and for monitoring the performance of the Company's third party service providers, including the Manager. The Board's philosophy is that the Company should foster a culture where all the Company's stakeholders are treated fairly and with respect and the Board recognises the importance of acting fairly between them, which is front of mind in its key decision making. As an externally managed investment company with no employees, the Board considers that the Company's key stakeholders are its shareholders, its Manager, its investee companies, and its other professional third party service providers (corporate broker, registrar, auditor, custodian and depositary) and wider society. The Board believes the best interests of the Company are aligned with those of these key stakeholders as all parties wish to see and ultimately benefit from the Company achieving its investment objectives whilst carrying on business in compliance with the highest possible regulatory, legal, ethical and commercial standards.

The table below sets out details of the Company's engagement with these stakeholders:

Stakeholder Engagement

Shareholders

Continued shareholder engagement is critical to the continued existence of the Company and the successful delivery of its long-term strategy. The Board is focused on fostering and maintaining good working relationships with shareholders and understanding the views of shareholders in order to incorporate them into the Board's strategic thinking and objectives. Full details on how the Board ensures it is fully appraised of shareholder views and how it engages with all shareholder groups can be found on pages 38 and 39.

During the year the Manager has carried out a number of shareholder meetings and investor updates on the Board's behalf. In addition the Chairman met directly with several of the largest shareholders. In such meetings, dividends, share discount and share buybacks are typically discussed and any feedback from these meetings is shared with the full board as part of the regular Board reporting. Any urgent concerns are raised with the Board as soon as possible. No shareholder concerns or requests have been raised to the Board regarding dividends paid or the use of buybacks to manage share discount during the financial year. The Board will continue to ensure that feedback is requested during these shareholder meetings and that this feedback is incorporated into board discussions prior to any decisions being made on these matters.

Manager

The principal supplier is the Manager, in particular the investment management team, which is responsible for managing the Company's assets in order to achieve its stated investment objective. The Board maintains a good working relationship with the Manager, who also provides administrative support and promotes the Company through its investment trust sales and marketing teams. The Board monitors the Company's investment performance at each Board Meeting in relation to its objective and also to its investment policy and strategy via direct (physical and virtual) meetings with the Investment Managers. The Board also maintains strong lines of communication with the Manager via its dedicated company secretary and client director whose interactions extend well beyond the formal business addressed at each Board and Committee meeting. This enables the Board to remain regularly informed of the views of the Manager and the Company's shareholders (and vice versa).

Investee companies

The Board is committed to responsible investing and actively monitors the activities of investee companies through its delegation to the Manager. In order to achieve this, the Manager has discretionary powers to exercise voting rights on behalf of the Company on all resolutions proposed by the investee companies. In respect of the year under review, the Manager engaged with many of its investee companies and voted at all of the annual general meetings and extraordinary meetings held during the year by the Company's portfolio companies (full details can be found in the ESG report on pages 20 to 23). The Board monitors investments made and divested and questions the Manager's rationale for exposures taken and voting decisions made.

Duty to Promote the Success of the Company

Other key service providers

The Board ensures that it promotes the success of the Company by engaging specialist third party suppliers, with appropriate capability, performance records, resources and controls in place to deliver the services that the Company requires for support in meeting relevant obligations and safeguarding the Company's assets. For this reason, the Board considers the Company's Custodian, Depositary, Registrar, Auditor and Broker to be stakeholders. The Board maintains regular contact with its key external service providers, either directly, or via its dedicated company secretary or client director, and receives regular reporting from these providers at Board and Committee meetings. The Management Engagement Committee meets annually to review and appraise its key service providers.

Wider society and the Environment

Whilst strong long-term investment performance is essential for an investment trust, the Board recognises that to provide an investment vehicle that is sustainable over the long term, both it and the Manager must have regard to ethical and environmental issues that impact society. Hence environmental, social and governance ('ESG') considerations are integrated into the Manager's investment process and will continue to evolve. Further details of the Manager's integrated approach to ESG can be found on pages 20 to 23.

The Directors confirm that they have considered their duty under Section 172 when making decisions during the financial year under review. Key decisions and actions during the year which have required the Directors to have regard to applicable section 172 factors include:

Key Decisions and Actions

Dividends Payable to Shareholders

The Company is managed to produce capital growth and not to produce any particular level of dividend and therefore the level of dividend will vary. The dividend reflects the available revenue for distribution each year and accordingly there are likely to be fluctuations year on year.

The Company aims to pay an annual dividend to its shareholders, in the absence of unforeseen circumstances. The Company must comply with the provisions of Section 1158 of the Corporation Tax Act 2010 which states that it must not retain more than 15% of its income for each accounting period and the Board's dividend policy is to pay out the majority of the revenue available each year. Given the recent heightened market volatility arising from the Russian invasion of Ukraine and the economic consequences arising from this conflict on the markets, the Board balanced its regulatory obligations with those of its shareholders. As a result, the Board paid a final dividend of 5.3 pence per ordinary share in January 2022, which represented a 4% increase on the dividend level paid the previous year.

Share Buybacks

The Board monitors the discount to NAV at which the Company's shares trade and believes that, over the long term, for the Company's shares to trade close to NAV the focus has to remain on consistent, strong investment performance over the key one, three, five and ten-year timeframes, combined with effective marketing and promotion of the Company.

The Board recognises that a widening of, and volatility in, the Company's discount is seen by some investors as a disadvantage of investments trusts. The Board has restated its commitment over the long run to seek a stable discount or premium commensurate with investors' appetite for Japanese equities and the Company's various attractions, not least the quality of the investment team and the investment process, and the strong long term performance these have delivered.

During the year the Company carried out a number of share buybacks, further details of which can be found on page 9.

Shares are only repurchased at a discount to the prevailing net asset value, which increases the Company's net asset value per share, and may either be cancelled or held in Treasury for possible reissue at a premium to net asset value.

Duty to Promote the Success of the Company

Succession Planning

The Board has progressed its succession plans this year resulting in the appointment of Anna Dingley and subsequent to the year end, the appointment of Sally Duckworth as Non Executive Directors.

Having served on the Board since 2013, Sir Stephen Gomersall will retire at the forthcoming annual general meeting and will be succeeded in his role as Senior Independent Director by Sally Macdonald. Christopher Samuel will be retiring from the Board as Chairman and Director at the AGM in 2024 and the Board has decided that Stephen Cohen, the current Audit Chair, will replace him as Chairman. Given these plans and the appointment of Sally Duckworth detailed below, it has further been decided that Sally Duckworth will assume the role of Audit Chair in due course. Your Directors believe that shareholder interests are best served by ensuring a smooth and orderly succession for the Board that serves to provide both continuity and refreshment while ensuring diversity of both background and experience.

Board Appointments

During the year, as part of the Board's continued succession planning and Board refreshment programme, the Board undertook a recruitment process facilitated by independent search consultancy, Cornforth, to find a replacement Director to join the Board following Yoko Dochi's resignation in October 2021 for personal reasons. Accordingly, the Board announced the appointment of Anna Dingley as a non-executive director of the Company with effect from 13th January 2022.

In addition, the Board went on to undertake a further recruitment exercise to seek a replacement Director for Sir Stephen Gomersall, who will retire from the Board at the forthcoming AGM having served on the Board since 2013. Following a thorough search process facilitated by independent search consultant, Odgers Berndtson, the Board announced the appointment of Sally Duckworth with effect from 31st October 2022.

Shareholder and stakeholder interests are best served by ensuring a formal, rigorous and transparent procedure is maintained during the recruitment process to ensure effective succession is maintained, while ensuring diversity of both background and experience.

Borrowings and Gearing

The Board regularly discusses gearing with the Investment Managers, who use it to enhance long-term shareholder returns. As at the beginning of the financial year, the Company had a ¥13 billion (increased from ¥11 billion in 2021) floating rate revolving credit facility with Scotiabank, which matured at the start of December 2022 and five senior secured loan notes, totalling ¥13 billion.

The Board took the decision during the year to introduce a new lender, Mizuho Bank Ltd, for a ¥5 billion facility. The facility provides the Investment Managers additional flexibility to capitalise on opportunities benefitting shareholders returns.

Other Actions that Continue to Promote the Success of the Company

In addition, the Directors have kept under review the Company's other operating costs; continued to hold the Manager to account on investment performance; undertaken a robust review of the principal and emerging risks faced by the Company; and continued to encourage the Manager and the Broker to enhance its sales, marketing and PR efforts, having initiated a series of new promotional strategies and a review of website engagement to raise the Company's awareness.

Throughout the course of the recent heightened market volatility arising from the Russian invasion of Ukraine and the economic consequences arising from this conflict, the Board has been in regular contact with the Manager, receiving regular updates on the operational effectiveness of the Manager and key service providers and on areas such as portfolio activity, portfolio liquidity, gearing and the discount to NAV at which the Company's shares trade.

By order of the Board
Nira Mistry, for and on behalf of
JPMorgan Funds Limited,
Company Secretary

13th December 2022

Board of Directors

Christopher Samuel (Chairman, Chairman of the Nomination Committee and the Management Engagement Committee)

Director since 2014.

Last reappointed to the Board: January 2022.

Currently Non-Executive Chairman of BlackRock Throgmorton Trust plc and a Non-Executive Director of Quilter plc[1] and UIL[2]. Mr Samuel was Chief Executive of Ignis Asset Management until 2014 and has considerable experience in financial services, particularly in investment management, over some 35 years. He is a Chartered Accountant and was based in Japan earlier in his career.

[1] He is also Chairman of Quilter plc's subsidiary, Quilter Financial Planning.
[2] He is also a Director of UIL Limited's subsidiary, UIL Finance.

Shared directorships with other Directors: None.

Shareholding in Company: 33,106.

Connections with Manager: None.

Ethnicity: White British.

Sir Stephen Gomersall, KCMG (Senior Independent Director)

A Director since 2013.

Last reappointed to the Board: January 2022.

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. Until 30th November 2021 he was Advisor to the CEO of Hitachi Ltd, and during his 17 year tenure was Director of Hitachi Ltd and several Hitachi Group companies in the UK. He has spent more than 14 years living and working in Japan.

Shared directorships with other Directors: None.

Shareholding in Company: 5,549.

Connections with Manager: None.

Ethnicity: White British.

Stephen Cohen (Chairman of the Audit Committee)

Director since 2016.

Last appointed to the Board: January 2022.

Over 34 years in executive roles in asset management, including setting up two businesses in Japan and living there for seven years. He managed Japanese equity portfolios for ten years. He also latterly ran a Japanese equity activist business. Currently, he is a non-executive Director of Schroder UK Public Private Trust plc, a Commissioner at the Gambling Commission, and at the Civil Service Commission and a Council member at the Health and Care Professions Council.

Shared directorships with other Directors: None.

Shareholding in Company: 15,000.

Connections with Manager: None.

Ethnicity: White British.

Anna Dingley

A Director since 2022.

Last reappointed to the Board: n/a.

Anna has a 25 year career spanning technology, finance and government sectors. She is the founder and Managing Director of Japan Connect Ltd, a Japanese business development consultancy which connects UK and Japanese entrepreneurs, investors, and executives. She is fluent in Japanese. Ms Dingley is a non-executive director of Nihon M&A Center Holdings Inc., a Tokyo Stock Exchange listed company in Japan. She was previously a Trustee of The Japan Society in the UK.

Shared directorships with other Directors: None.

Shareholding in Company: 1,134.

Connections with Manager: None.

Ethnicity: White British.

Board of Directors

Sally Duckworth

A Director since 2022.

Last reappointed to the Board: n/a.

Over 20 years experience of working in, investing in or advising companies, predominantly with a technology focus, Sally is an established entrepreneur. Sally qualified as a Chartered Accountant with PricewaterhouseCoopers LLP, working in the financial institutions audit group, before joining JPMorgan. She has been an Investment Manager in early-stage technology venture capital, co-founded an angel network and taken several C-suite roles in growth companies. She is a Non Executive Director and the Chair of Audit for Mobeus VCT 2 Plc and the Non Executive Chair of StorMagic Ltd.

Shared directorships with other Directors: None.

Shareholding in Company: None.

Connections with Manager: None.

Ethnicity: White British.

Sally Macdonald

A Director since 2018.

Last reappointed to the Board: January 2022.

Over almost 37 years in asset management, of which seven were in UK markets and almost 30 covered Asian markets. Mrs Macdonald was until 2021 Head of Asian Equities at Marlborough Fund Managers and is a Non-Executive Director of Fidelity Asian Values plc and Evelyn Partners Fund Solutions Ltd. She is also a Trustee of Helping the Burmese Delta. Previous board experience includes the Royal College of Nursing Foundation.

Shared directorships with other Directors: None.

Shareholding in Company: 3,958.

Connections with Manager: None.

Ethnicity: White British.

George Olcott (Chairman of the Remuneration Committee)

Director since 2016.

Last appointed to the Board: January 2022.

15 years of investment banking and asset management business experience in Japan and Asia with SG Warburg/UBS. Has served on the boards of a number of listed Japanese corporations as an independent director. He is currently serving on the board of Kirin Holdings and on the Audit and Supervisory Board of Toyota Motor Corporation. Dr Olcott is a Specially Appointed Professor and Vice President of Shizenkan University, Tokyo and holds an advisory role at JR Central.

Shared directorships with other Directors: None.

Shareholding in Company: 8,265.

Connections with Manager: None.

Ethnicity: White British and Asian.

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

Directors' Report

The Directors present their Annual Report & Financial Statements for the year ended 30th September 2022.

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 active management of the Company's assets is delegated by JPMF to an affiliate, JPMorgan Asset Management (UK) Limited ('JPMAM'), 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. 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.

The Manager 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 Board, through the Management Engagement Committee, 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, although it was not able to do so during this financial year due to the closing of Japanese borders to visitors as part of Japan's COVID-19 restrictions. The Board undertook a visit in October 2022, following the re-opening. The Board is of the opinion that the continuing appointment of the Manager is in the best interests of shareholders as a whole.

The Alternative Investment Fund Managers Directive ('AIFMD')

JPMF is the Company's alternative investment fund manager ('AIFM'). It is approved as an AIFM by the FCA. For the purposes of the AIFMD the Company is an alternative investment fund ('AIF'). JPMF has delegated certain responsibilities as set out under 'Management of the Company' above. The Company has appointed Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Company's custodian. BNY is responsible for the oversight of the custody of the Company's assets and for monitoring its cash flows.

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 & financial statements of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website at www.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.

The Company's leverage and JPMF's remuneration disclosures are set out on pages 88 and 90.

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.

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

Directors

The Directors of the Company who held office at the end of the year are detailed on pages 41 and 42. Details of their beneficial shareholdings may be found on pages 41 and 42 and in the Directors' Remuneration Report on page 56.

In accordance with corporate governance best practice, all Directors will retire at the Company's forthcoming Annual General Meeting and, being eligible, will offer themselves for reappointment by shareholders. Sir Stephen Gomersall will retire at the forthcoming Annual General Meeting and therefore not stand for reappointment. As per the Company's Articles of Association, Anna Dingley and Sally Duckworth will stand for appointment as Directors for the first time since being appointed by the Board in January and October 2022 respectively. The Nomination Committee, having considered the Directors' qualifications, performance, contribution and time commitment to fulfill their duties as Directors to the Company, the Board and its Committees, confirms that each Director continues to be effective and demonstrates commitment to the role and the Board recommends to

Directors' Report

shareholders that those standing for reappointment be reappointed. Statements supporting the Directors' reappointments can be found on pages 46 and 47.

Director Indemnification and Insurance

As permitted by the Company's Articles of Association, each Director has the benefit of an indemnity that 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 that 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

PricewaterhouseCoopers LLP has been auditor to the Company since 2013. In line with evolving best practice for corporate governance and due to the length of tenure, the Audit Committee undertook an auditor's review during the year and it has been decided to appoint Ernst & Young LLP to succeed PricewaterhouseCoopers LLP. Accordingly, a resolution to appoint Ernst & Young LLP as auditors to the Company will be proposed at the forthcoming AGM. PricewaterhouseCoopers LLP have confirmed that there are no circumstances in connection with their resignation which need to be brought to the attention of the Company's shareholders.

Companies Act 2006 Requirements

The following disclosures are made in accordance with the Companies Act 2006.

Articles of Association

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.

Capital Structure

The Company's capital structure is summarised on the inside front cover of this report.

Voting Rights in the Company's shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 17 to the Notice of Annual General Meeting on page 78.

Notifiable Interests in the Company's Voting Rights

At the date of this report the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	% voting rights
Rathbone Investment Management Ltd	21,761,605	13.93
Lazard Asset Management LLC	20,872,437	13.10
Allspring Global Investments, LLC	17,185,877	10.98
Tilney Smith & Williamson Limited	8,000,769	5.00
1607 Capital Partners, LLC	7,863,562	4.92
City of London	7,826,885	5.01

* Holding was previously with Wells Capital Management Inc.

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 that the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office.

Listing Rule 9.8.4R

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

Annual General Meeting

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

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting. The full text of the resolutions is set out in the Notice of Annual General Meeting on pages 92 to 95.

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 13 and 14)

The Directors will seek renewal of the authority at the Annual General Meeting to issue new ordinary shares for cash up to an aggregate nominal amount of £3,849,177 such amount being equivalent to 10% of the present issued share capital (excluding Treasury shares) as at the last practicable date before the publication of this document or, if different, the number of ordinary shares which is equal to approximately 10% of the Company's issued share capital (excluding Treasury shares) as at the date of the passing of the resolution. This authority will expire at the conclusion of the Annual General Meeting to be held in 2024 unless renewed at a prior general meeting.

Resolution 14 will enable the allotment of shares otherwise than by way of a pro rata issue to existing shareholders. It is advantageous for the Company to be able to issue new shares (or to sell Treasury shares) to investors when the Directors consider that it is in the best interests of shareholders to do so. Any such issues would only be made at prices greater than the net asset value ('NAV'), thereby increasing the NAV per share and spreading the Company's administrative expenses, other than the management fee that 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 that would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

(ii) Authority to repurchase the Company's shares (resolution 15)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2022 Annual General Meeting, will expire on 12th July 2024, unless renewed prior to that time. The Directors consider that the renewal of the authority at the forthcoming Annual General Meeting is in the interests of shareholders as a whole, as the repurchase of shares at a discount to their underlying NAV enhances the NAV of the remaining shares.

Resolution 15 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 23,079,666 shares, representing approximately 14.99% of the Company's issued shares as at 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 15 is passed at the Annual General Meeting, the Board may repurchase the shares for cancellation or hold them in Treasury pursuant to the authority granted to it for possible reissue at a premium to NAV.

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

Recommendation

The Board considers that resolutions 13 to 15 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 67,012 shares representing approximately 0.4% of the voting rights of the Company.

Other Information

The recommended final dividend, as well as information on the acquisition of the Company's own shares and greenhouse gas emissions, can be found in the Business Review on pages 29 to 32. Financial risk management objectives and policies, with information on exposure to price, credit and liquidity risk, can be found in note 22 to the Financial Statements on page 84. Information on post balance sheet events can be found in note 24 on page 86.

Corporate Governance Statement

Compliance

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

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

Role of the Board

A management agreement between the Company and the Manager sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administrative and some marketing services. All other

Corporate Governance Statement

matters are reserved for the approval of the Board. A formal schedule of matters reserved to the Board for decision has been approved. This includes determination and monitoring of the Company's investment objectives and policy and its future strategic direction, capital structure and gearing policy (with input from the Manager), 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.

The Board has procedures in place to deal with potential conflicts of interest and, following the introduction of The Bribery Act 2010, 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 six times 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, JPMF, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board, chaired by Christopher Samuel, consists of seven non-executive Directors, all of whom including the Chairman 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 pages 41 and 42.

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. This year, Sir Stephen Gomersall in his capacity as Senior Independent Director, led the evaluation of the performance of the Chairman. In future years, the evaluation of the Chairman will be carried out by Sally Macdonald, who will succeed Sir Stephen as Senior Independent Director following his retirement at the forthcoming AGM. She is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

The Board meets the recommendations of the FTSE Women Leaders Review. The Review set targets for FTSE 350 companies to have 40% female representation and requires that one of the Chair or Senior Independent Director be a woman. Other than a brief period at the end of 2021, the Board has had at least 33% female representation since July 2020, currently 40%. This will rise to 50% at the conclusion of the AGM. Furthermore, with Sally Macdonald taking over as Senior Independent Director from Sir Stephen Gomersall, the Board will meet these targets in advance of reporting requirements.

Reappointment of Directors

The Directors of the Company and their brief biographical details are set out on pages 41 and 42. The skills and experience that each Director brings to the Board, and hence why their contributions are important to the long term success of the Company, are summarised below. All of the Directors with the exception of Sir Stephen Gomersall, will stand for reappointment at the forthcoming Annual General Meeting.

Resolution 5 concerns the reappointment of Stephen Cohen. He joined the Board in December 2016 and has served for six years as a Director.

Stephen Cohen brings to the Board experience of managing Japanese equity portfolios and has been closely involved with equity investment in Japan since 1984, and lived there for seven years. He has wide experience in asset management including having run a Japanese equity activist business. He has a particular interest in environmental, social and governance issues. In addition, he has been Chair of Audit at two other organisations.

For details of his current directorships, please refer to page 41 of the Report.

Resolution 6 concerns the appointment of Anna Dingley. She joined the Board in January 2022.

Anna Dingley has lived and worked in Japan for 8 years and in America for 2 years over her 25 year career. Her experience spans technology, finance and government sectors, and she is a non-executive board member of the Tokyo listed company Nihon M&A Center. Anna is fluent in Japanese.

For details of his current directorships, please refer to page 41 of the Report.

Resolution 7 concerns the appointment of Sally Duckworth. She joined the Board in October 2022.

With over 20-years experience of working in, investing in or advising companies, predominantly with a technology focus, Sally Duckworth is an established entrepreneur with a background in finance and investment.

Sally Duckworth qualified as a Chartered Accountant with PricewaterhouseCoopers LLP, working in the financial institutions audit group, before joining JPMorgan where she worked in M&A, debt capital markets and fixed income. Since then she has been an Investment Manager in early-stage technology venture capital, co-founded an angel network and has taken several C-suite roles in early stage and growth stage companies.

For details of her current directorships, please refer to page 42 of the Report.

Corporate Governance Statement

Resolution 8 concerns the reappointment of Sally Macdonald. She joined the Board in December 2018 and has served for four years as a Director.

Sally Macdonald brings to the Board almost 37 years of experience in asset management, of which almost 30 were in relation to managing investments in Asian markets. Her experience remains current through her recent management of an Asian equity growth fund. She is a member of the CFA Society of the UK CFA institute, the Pensions Management Institute and CISI.

For details of her current directorships, please refer to page 42 of the Report.

Resolution 9 concerns the reappointment of Dr George Olcott. He joined the Board in December 2016 and has served for six years as a Director.

George Olcott, who is based in Tokyo, has extensive business experience in Japan in a number of fields, including investment banking and investment management. He has spent more than 25 years in Japan and speaks the language fluently. He has over 10 years of board experience of major listed Japanese firms.

For details of his current directorships, please refer to page 42 of the Report.

Resolution 10 concerns the reappointment of Christopher Samuel. He joined the Board in December 2014 and has served for eight years as a Director.

Christopher Samuel brings to the Board considerable experience of the investment management industry and of Japan where he was based earlier in his career. He is an experienced chairman and has in-depth knowledge of the investment trust sector in general. He is a Chartered Accountant and hence brings recent and relevant experience to the Audit Committee.

For details of his current directorships, please refer to page 41 of the Report.

The Board confirms that each of the Directors standing for reappointment at the forthcoming Annual General Meeting continue to contribute effectively; further confirms that all Directors have the time to fulfill their duties as Directors to the Company; and recommends that shareholders vote in favour of their reappointment.

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, subject to the performance evaluation carried out each year, the Board will agree whether it is appropriate for each Director to seek reappointment. In accordance with corporate governance best practice, Directors continuing in office seek annual reappointment and no Directors, including the Chairman, will seek reappointment after having served for nine years on the Board, unless there are exceptional circumstances for doing so.

The table below details the tenure of Directors as at the forthcoming Annual General Meeting and projected forward to the Company's Annual General Meeting in respect of the Company's financial year ending 2028. The average tenure of a Director is less than six years.

Director	Appointment Date	FY 2022 AGM	FY 2023 AGM	FY 2024 AGM	FY 2025 AGM	FY 2026 AGM	FY 2027 AGM	FY 2028 AGM
Sir Stephen Gomersall	1st July 2013	9+ years	9+ years	9+ years	9+ years	9+ years	9+ years	9+ years
Christopher Samuel	19th December 2014	8 years	9+ years	9+ years	9+ years	9+ years	9+ years	9+ years
Stephen Cohen	20th December 2016	0 - 7 years	0 - 7 years	8 years	9+ years	9+ years	9+ years	9+ years
Dr George Olcott	20th December 2016	0 - 7 years	0 - 7 years	8 years	9+ years	9+ years	9+ years	9+ years
Sally Macdonald	13th December 2018	0 - 7 years	0 - 7 years	0 - 7 years	0 - 7 years	8 years	9+ years	9+ years
Anna Dingley	13th January 2022	0 - 7 years	0 - 7 years	0 - 7 years	0 - 7 years	0 - 7 years	0 - 7 years	8 years
Sally Duckworth	31st October 2022	0 - 7 years	0 - 7 years	0 - 7 years	0 - 7 years	0 - 7 years	0 - 7 years	8 years

Key - Tenure
0 - 7 years   8 years   9+ years

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.

A schedule of interests for each Director is maintained by the Company and reviewed at every Board meeting. New interests are considered carefully, taking into account the circumstances surrounding them and, if considered appropriate, are approved.

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 the Directors' profiles on page 48.

The table below details the number of formal Board and Committee meetings attended by each Director. During the year under review there were seven scheduled Board meetings, in addition to two Audit Committee meetings, one meeting of the Management Engagement Committee, and one meeting of the Nomination and Remuneration Committees. These meetings were supplemented by

Corporate Governance Statement

additional ad hoc 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	Management Engagement Committee	Nomination Committee	Remuneration Committee
Christopher Samuel	7	2	1	1	1
Sir Stephen Gomersall	7	2	1	1	1
Stephen Cohen	7	2	1	1	1
Anna Dingley	7	2	1	1	1
Sally Macdonald	7	2	1	1	1
George Olcott	7	2	1	1	1

Sally Duckworth was only appointed with effect from 31st October 2022.

Board Committees

Nomination Committee

The Nomination Committee, is chaired by Christopher Samuel. The Committee consists of the entire Board and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. The appointment process takes account of the benefits of diversity, including gender. The Board adopts a robust way in which it approves new appointments taken on by Directors. This ensures the Board remains confident that each Director has the time to discharge responsibilities to the Company and Directors avoid conflicts of interest.

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.

In line with corporate governance best practice the Board undertook an externally facilitated evaluation of the Board, its Committees and the Directors in 2022. This exercise is repeated every three years. Overall, this evaluation led the Committee to conclude that all Directors devoted sufficient time and contributed satisfactorily to the work of the Board. The exercise further highlighted that the Board has a relevant balance of experience and knowledge of investment markets, legal regulation and financial accounting and continues to work in a collegiate and effective manner. The Committee intends to conduct the next externally facilitated evaluation of the Board in 2025.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board. This year, Sir Stephen Gomersall led the evaluation of the performance of the Chairman. Sally Macdonald will assume the role of Senior Independent Director following Sir Stephen's retirement at the forthcoming Annual General Meeting. In future years, the evaluation of the Chairman will be carried out by Sally Macdonald.

Remuneration Committee

The report of the Remuneration Committee is set out on pages 54 to 56.

Management Engagement Committee

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

Audit Committee

The report of the Audit Committee is set out on pages 51 and 52.

Terms of Reference

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

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders twice each year by way of the annual report & 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 and the Company's level of gearing.

In normal circumstances, all shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available in person to meet shareholders and answer their questions. In addition, a presentation is given by the Investment Manager who reviews the Company's performance. The Board seeks regular engagement with the Company's major shareholders to understand their views on governance and performance against the Company's investment objective and investment policy, either directly or through the Company's brokers or the Investment Managers . The Directors may be contacted through the Company Secretary whose details are shown on page 99 or via the Company's website.

The Company's Annual Report & Financial Statements are published in time to give shareholders at least 21 clear 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 99. A formal process is in place for all letters to the Directors to be forwarded immediately. As part of this process, any feedback from shareholders is also communicated to the Board.

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

Risk Management and Internal Control

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

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

Since investment management, custody of assets and all administrative services are provided to the Company by the Manager and its associates, the Company's system of risk management and internal control mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal and Emerging Risks on pages 33 to 35). This process has been in place for the year under review and up to the date of the approval of the Annual Report & Financial Statements, and it accords with the Financial Reporting Council's guidance. Given the foregoing, and in common with most investment trust companies, the Company does not have an internal audit function of its own. The Manager's internal audit department conducts regular and rigorous reviews of the various functions within its asset management business. Any significant findings that are relevant to the Company and/or the Managers investment risk business are reported to the Board.

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

- **Financial Reporting**

  Regular and comprehensive review by the Board of key investment and financial data, including 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 that clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by the Manager's Compliance department which regularly monitors compliance with FCA rules.

- **Investment Strategy**

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

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

- reviews the key terms of the management agreement and receives regular reports from the Manager's Compliance department;
- reviews reports on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed;
- reviews every six months an independent report on the risk management and internal controls and the operations of the Manager; and
- reviews quarterly reports from the Company's Depositary.

By 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 2022 and to the date of approval of this Annual Report & 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 Statement

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to JPMAM through the Manager. The following is a summary of JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on Environmental, Social and Governance considerations are included in the Strategic Report on pages 29 and 30.

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 believes effective investment stewardship can materially contribute to helping build stronger portfolios over the long term for our clients. At the heart of JPMAM's approach lies a close collaboration between our investment managers, research analysts and investment stewardship specialists to engage with the companies in which JPMAM invests. Regular engagement with JPMAM's investee companies through investment-led stewardship has been a vital component of JPMAM's active management heritage. JPMAM continues to exercise active ownership through regular and ad hoc meetings, and through its voting responsibilities.

JPMAM's formal stewardship structure is designed to identify risks and understand its portfolio companies' activities, in order to enhance value and mitigate risks associated with them. JPMAM has identified five main investment stewardship priorities it believes have universal applicability and will stand the test of time:

- *governance;*
- *strategy alignment with the long term;*
- *human capital management;*
- *stakeholder engagement; and*
- *climate risk.*

Within each priority area, JPMAM identified related themes it is seeking to address over a shorter time frame. These themes will evolve as JPMAM engages with companies to understand issues and promote best practice. This combination of long-term priorities and evolving, shorter term themes provides JPMAM with a structured and targeted framework to guide its investors and investment stewardship teams globally as JPMAM engages with investee companies around the world.

JPMAM is also committed to reporting more widely on our activities, including working to meet the practices laid out by the Financial Reporting Council ('FRC') in the UK Stewardship Code, to which JPMAM is a signatory.

JPMAM Japan is a signatory to the Japanese Stewardship Code and endeavours to vote at all of the meetings called by companies in which your portfolio invests.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website: https://am.jpmorgan.com/gb/en/asset-management/institutional/about-us/investment-stewardship/

By order of the Board
Nira Mistry, for and on behalf of
JPMorgan Funds Limited,
Company Secretary

13th December 2022

Audit Committee Report

I am pleased to present the Audit Committee Report to shareholders, for the year ended 30th September 2022.

Composition and Role

Membership of the Committee is set out on page 51, and the Committee meets at least twice each year. As permitted under the AIC Code, the Chairman of the Board is a member of the Audit Committee. The Board consider the Chairman as independent on appointment and one of the members of the Audit Committee with recent and relevant financial experience. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. The Audit Committee as a whole has competence relevant to the sector.

Annual Report & Financial Statements and Significant Accounting Matters

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

The Audit Committee examines the effectiveness of the Company's internal control systems and receives information from the Manager's Compliance department. The Directors' statement on the Company's system of Risk Management and Internal Control is set out on page 49.

During its review of the Company's annual financial statements for the year ended 30th September 2022, the Audit Committee considered the following significant issues, including those communicated by the Auditors during their reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	The valuation of investments is undertaken in accordance with the accounting policies, disclosed in note 1(b) to the financial statements on page 71. Controls are in place to ensure that valuations are appropriate and existence is verified through Depositary and Custodian reconciliations. The Company has appointed Bank of New York Mellon (International) Limited ('BNY') as its depositary. BNY has appointed JPMorgan Chase Bank, N.A. as the Custodian. BNY remains responsible for the oversight of the custody of the Company's assets.
Recognition of investment income	The recognition of investment income is undertaken in accordance with accounting policy note 1(d) to the financial statements on page 71. 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

In accordance with The Financial Reporting Council's guidance on going concern and liquidity risk, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern.

The Board has, in particular, considered the impact of heightened market volatility and more recently the Russian invasion of Ukraine but does not believe the Company's going concern status is affected. The Company's assets, the vast majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly under all stress test scenarios reviewed by the Board. Further detail on the Company's stress testing scenarios can be found in the Viability Statement on page 36. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis.

Furthermore, the Directors are satisfied that the Company and its key third party service providers have in place appropriate business continuity plans and confirm they have been able to maintain service levels through the pandemic.

Accordingly, the Annual Report & Financial Statements have been prepared on the going concern basis as it is the Directors' opinion, having assessed the principal risks and other matters, including the impact of the coronavirus pandemic, that the Company will continue in operational existence for a period of at least 12 months.

The Company's longer-term viability is considered in the Viability Statement on page 36.

Auditors 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

Audit Committee Report

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.

As disclosed in the 2021 annual report and in line with mandatory auditor firm rotation due to length of tenure of PricewaterhouseCoopers LLP, the Committee undertook a tender process during the year for the audit of the financial year ending 30th September 2023, in which PricewaterhouseCoopers LLP was not invited to participate. The Committee reviewed tender submissions from other audit firms, and, following detailed consideration, recommended to the Board that Ernst & Young LLP be appointed as auditors on the basis of the breadth of experience demonstrated of the investment trust sector and the resources and strength of their audit team. The Board supported the recommendation which will be put to shareholders at the forthcoming Annual General Meeting.

The next formal audit tender exercise will take place in 2032 for the audit of the financial year ending 30th September 2032. 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 non-audit work was undertaken during the year. Details of the fees paid for audit services are included in note 6 on page 74.

The Company is in Compliance with the provisions of 'The Statutory Audit Services for Large Companies Market Investigation' (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 as issued by the Competition & Markets Authority.

Fair, Balanced and Understandable

Having taken all available information into consideration and having discussed the content of the Annual Report & 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 & Financial Statements for the year ended 30th September 2022, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 58.

Stephen Cohen
Chairman of the Audit Committee

13th December 2022

Directors' Remuneration Report

I am pleased to present the Directors' Remuneration Report for the year ended 30th September 2022 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 Auditors' opinion is included in their report on pages 60 to 66.

The 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, the Senior Independent Director 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 Company's Articles of Association provide that any Director who performs services that go beyond the ordinary duties of a director may be paid such additional remuneration as the directors may determine.

In the year under review Directors were paid at the following rates: Chairman £47,500; Chairman of the Audit Committee £38,500; and other Directors £32,500

During the year, the Board decided to increase the fees paid to Directors to reflect current market rates, the time spent on the Company's business and to ensure that candidates of a high calibre are recruited to the Board and retained. From 1st October 2022, Director's fees have been paid at the following rates: Chairman £49,500; Chairman of the Audit Committee £40,500 and other Directors £34,000. It was agreed that the role of Senior Independent Director would be paid £35,000. No additional fees would be paid for the role of Chairman of the Remuneration Committee.

The Company's Articles of Association stipulate that aggregate fees must not exceed £250,000 per annum. Any increase in this amount requires both the Board's and shareholders' approval.

The Company has not sought individual shareholder views on its remuneration policy. However, the 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 47.

Directors' Remuneration Policy Implementation

The Directors' Remuneration Report, which includes details of the Directors' remuneration policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 30th September 2021 and no changes are proposed for the year ending 30th September 2023.

At the Annual General Meeting held on 13th January 2022, 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 less than 0.1% voted against. Less than 0.01% abstained from voting on the resolutions. Details of the implementation of the Company's remuneration policy are given above.

Directors' Remuneration Report

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[1,2]

Directors' Name	2022 Fees £	2022 Taxable expenses[3] £	2022 Total £	2021 Fees £	2021 Taxable expenses[3] £	2021 Total £
Christopher Samuel	47,500	333	47,833	44,000	—	44,000
Stephen Cohen	38,500	283	38,783	35,000	68	35,068
Sir Stephen Gomersall	32,500	—	32,500	30,000	—	30,000
Anna Dingley[5]	23,292	458	23,750	—	—	—
Yoko Dochi[4]	—	—	—	30,000	—	30,000
Sally Macdonald	32,500	664	33,164	30,000	—	30,000
George Olcott	32,500	—	32,500	30,000	—	30,000
Total	**206,792**	**1,738**	**208,530**	**169,000**	**68**	**199,068**

[1] Audited information. The other disclosure requirements set out in the reporting regulations are omitted because they are not applicable.
[2] There is no variable remuneration.
[3] Taxable benefits relate to travel and subsistence costs.
[4] Appointed on 17th July 2020 and resigned on 1st October 2021.
[5] Appointed 13th January 2022.

Annual Percentage Change in Directors' Remuneration

The following table sets out the annual percentage change in Directors' fees:

Directors' Name	% change for the year to 30th September 2022	% change for the year to 30th September 2021
Stephen Cohen	10.1%	7.7%
Yoko Dochi[1]	n/a	n/a
Sir Stephen Gomersall	8.3%	7.1%
George Olcott	8.3%	7.1%
Sally Macdonald	10.5%	7.1%
Christopher Samuel	10.5%	7.3%
Anne Dingley	n/a	n/a

[1] Appointed on 17th July 2020 and resigned on 1st October 2021.

Remuneration for the Chairman over the five years ended 30th September 2022

Year ended 30th September	Fees	Performance related benefits received as a percentage of maximum payable[1]
2022	£47,500	n/a
2021	£44,000	n/a
2020	£41,000	n/a
2019	£40,000	n/a
2018	£36,000	n/a

[1] Unaudited information.

Directors' Remuneration Report

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.

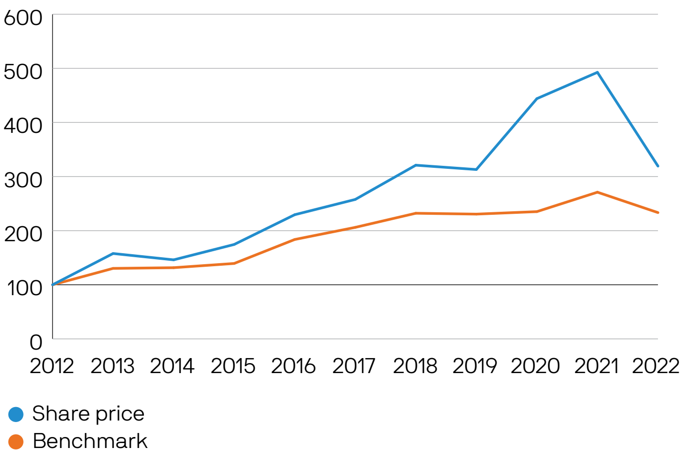
	30th September 2022	1st October 2021
Stephen Cohen	15,000	15,000
Anna Dingley[2]	1,134	483
Sir Stephen Gomersall	5,549	5,549
Sally Macdonald	3,958	3,958
George Olcott	8,265	5,000
Christopher Samuel	33,106	32,795

[1] Audited information.
[2] Appointed 13th January 2022.

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 (TOPIX) Index expressed in sterling terms, over the last ten years is shown below.

Ten-Year Share Price and Benchmark Total Return Performance to 30th September 2022 (rebased)



Source: Morningstar.

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

Expenditure by the Company on remuneration and distributions to shareholders

	Year ended 30th September 2022	2021
Remuneration paid to all Directors	£208,018	£199,068
Distribution to shareholders by way of:		
— dividend	£8,295,000	£8,145,000
— share repurchases	£11,802,000	£18,561,000
Total distribution to shareholders	**£20,097,000**	**£26,706,000**

For and on behalf of the Board
George Olcott
Chairman of the Remuneration Committee

13th December 2022

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report & 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 Annual Report & 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 Annual Report & Financial Statements unless they are satisfied that, taken as a whole, Annual Report & 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 Annual Report & 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 pages 41 and 42, confirms that, to the best of their knowledge:

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

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

For and on behalf of the Board
Christopher Samuel
Chairman

13th December 2022

Independent Auditors' Report

Independent auditors' report to the members of JPMorgan Japanese Investment Trust plc

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 2022 and of its result 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, including 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 2022; the Statement of Comprehensive Income, Statement of Cash Flows and 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.

We have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

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

Key audit matters

- Valuation and existence of investments
- Income from investments

Materiality

- Overall materiality: £7,303,700 (2021: £11,545,000) based on 1% of net assets.
- Performance materiality: £5,477,700 (2021: £8,659,000).

Independent Auditors' Report

The scope of our audit

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

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.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments Refer to the Accounting Policies (pages 71 to 73) and the notes to the financial statements (pages 71 to 86). The investment portfolio at the year-end comprised listed equity investments valued at £815.8 million. We focused on the valuation and existence of quoted investments because investments represent the principal element of the net asset value as disclosed in the Statement of Financial Position.	We tested the valuation of all quoted equity investments by agreeing the prices used in the valuation to independent third party sources. We tested the existence of the investment portfolio by agreeing the holdings of all quoted investments to an independently obtained custodian confirmation. No material misstatements were identified from this testing.
Income from investments Refer to the Accounting Policies (pages 71 to 73) and the notes to the financial statements (pages 71 and 86). ISAs (UK) presume there is a risk of fraud in income recognition because of the pressure management may feel to achieve a certain objective. For the Company we consider that 'income' refers to both revenue and capital (including gains and losses on investments). We focused this risk on the existence/occurrence of gains/losses on investments as well as the completeness and accuracy of dividend income recognition and its presentation in the Income Statement as set out in the requirements of The Association of Investment Companies' Statement of Recommended Practice (the 'AIC SORP').	We assessed the accounting policy for income recognition for compliance with accounting standards and the AIC SORP and performed testing to confirm 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 had been accounted for in accordance with the stated accounting policy. We understood and assessed the design and implementation of key controls surrounding income recognition. The gains/losses on investments held at fair value through profit or loss comprise realised and unrealised gains/losses. For unrealised gains and losses, we sample tested the valuation of the portfolio at the year-end, together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing the proceeds to bank statements and we re-performed the calculation of a sample of realised gains/losses. We tested dividend receipts by agreeing the dividend rates from investments to independent third party sources. To test for completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared for all listed investments during the year.

Independent Auditors' Report

Key audit matter	How our audit addressed the key audit matter
	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 Income Statement in line with the requirements set out in the AIC SORP by determining reasons behind dividend distributions. We also sample tested journal entries made to income accounts (both revenue and capital). No material misstatements were identified from this testing.

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 impact of climate risk on our audit

In planning our audit, we made enquiries of the Directors and Investment Manager to understand the extent of the potential impact of climate change on the Company's financial statements.

The Directors and Investment Manager concluded that the impact on the measurement and disclosures within the financial statements is not material because the Company's investment portfolio is made up of level 1 quoted securities which are valued at fair value based on market prices. We found this to be consistent with our understanding of the Company's investment activities.

We also considered the consistency of the climate change disclosures included in the Strategic Report with the financial statements and our knowledge from our audit.

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 Company materiality	£7,303,700 (2021: £11,545,000).
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 use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%%) of overall materiality, amounting to £5,477,700 (2021: £8,659,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £365,100 (2021: £577,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent Auditors' Report

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the Directors' updated risk assessment and considering whether it addressed the relevant threats to the Company;
- evaluating the Directors' assessment of potential operational impacts, considering their consistency with other available information and our understanding of the business and assessed the potential impact on the financial statements;
- reviewing the Directors' assessment of the Company's financial position in the context of its ability to meet future expected operating expenses, their assessment of liquidity as well as their review of the operational resilience of the Company and oversight of key third-party service providers; and
- considering whether reductions in net assets as a result of market performance might impact on the Company's going concern status.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this 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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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.

Independent Auditors' Report

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.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' 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 its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the company and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when 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.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, 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.

Independent Auditors' Report

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase income (investment income and capital gains) or to increase net asset value. Audit procedures performed by the engagement team included:

- discussions with the Manager and Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reviewing relevant committee meeting minutes, including those of the Board and Audit Committee;
- review of financial statement disclosures to underlying supporting documentation;
- identifying and testing manual journal entries posted by the Administrator during the preparation of the financial statements; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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.

Independent Auditors' Report

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 obtained 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 nine years, covering the years ended 30th September 2014 to 30th September 2022.

Thomas Norrie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

13th December 2022

Statement of Comprehensive Income

For the year ended 30th September 2022

		2022			2021		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
(Losses)/gains on investments held at fair value through profit or loss	3	—	(418,203)	(418,203)	—	89,356	89,356
Net foreign currency gains[1]		—	8,328	8,328	—	16,117	16,117
Income from investments	4	14,016	—	14,016	11,452	—	11,452
Other interest receivable and similar income	4	682	—	682	1,551	—	1,551
Gross return/(loss)		**14,698**	**(409,875)**	**(395,177)**	**13,003**	**105,473**	**118,476**
Management fee	5	(512)	(4,612)	(5,124)	(1,186)	(4,744)	(5,930)
Other administrative expenses	6	(959)	—	(959)	(846)	—	(846)
Net return/(loss) before finance costs and taxation		**13,227**	**(414,487)**	**(401,260)**	**10,971**	**100,729**	**111,700**
Finance costs	7	(141)	(1,272)	(1,413)	(295)	(1,179)	(1,474)
Net return/(loss) before taxation		**13,086**	**(415,759)**	**(402,673)**	**10,676**	**99,550**	**110,226**
Taxation	8	(1,400)	—	(1,400)	(1,140)	—	(1,140)
Net return/(loss) after taxation		**11,686**	**(415,759)**	**(404,073)**	**9,536**	**99,550**	**109,086**
Return/(loss) per share	9	**7.48p**	**(266.28)p**	**(258.80)p**	**5.99p**	**62.54p**	**68.53p**

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

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

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

The notes on page 71 to 86 form part of these financial statements.

Statement of Changes in Equity

	Called up share capital £'000	Capital redemption reserve[1] £'000	Other reserve[1] £'000	Capital reserves[1] £'000	Revenue reserve[1] £'000	Total £'000
At 30th September 2020	**40,312**	**8,650**	**166,791**	**842,661**	**13,750**	**1,072,164**
Repurchase of shares into Treasury	—	—	—	(18,561)	—	(18,561)
Net return	—	—	—	99,550	9,536	109,086
Dividend paid in the year (note 10)	—	—	—	—	(8,145)	(8,145)
At 30th September 2021	**40,312**	**8,650**	**166,791**	**923,650**	**15,141**	**1,154,544**
Repurchase of shares into Treasury	—	—	—	(11,802)	—	(11,802)
Net (loss)/return	—	—	—	(415,759)	11,686	(404,073)
Dividend paid in the year (note 10)	—	—	—	—	(8,295)	(8,295)
At 30th September 2022	**40,312**	**8,650**	**166,791**	**496,089**	**18,532**	**730,374**

[1] See footnote to note 16 on page 78.

The notes on pages 71 to 86 form an integral part of these financial statements.

Statement of Financial Position

At 30th September 2022

	Notes	2022 £'000	2021 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	**815,789**	**1,300,867**
Current assets	12		
Debtors		7,161	8,402
Cash and cash equivalents		27,974	8,299
		35,135	**16,701**
Current liabilities	13		
Creditors: amounts falling due within one year		(9,619)	(3,999)
Net current assets		**25,516**	**12,702**
Total assets less current liabilities		**841,305**	**1,313,569**
Creditors: amounts falling due after more than one year	14	(110,931)	(159,025)
Net assets		**730,374**	**1,154,544**
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	496,089	923,650
Revenue reserve	16	18,532	15,141
Total shareholders' funds		**730,374**	**1,154,544**
Net asset value per share	17	**472.1p**	**735.5p**

The financial statements on pages 71 to 86 were approved and authorised for issue by the Directors on 13th December 2022 and were signed on their behalf by:

Christopher Samuel
Director

The notes on pages 71 to 86 form an integral part of these financial statements.

Company registration number: 223583.

Statement of Cash Flows

For the year ended 30th September 2022

	Notes	2022 £'000	2021 £'000
Net cash outflow from operations before dividends and interest	18	(6,664)	(5,516)
Dividends received		10,967	9,624
Interest paid		(1,390)	(1,456)
Net cash inflow from operating activities		**2,913**	**2,652**
Purchases of investments		(176,268)	(231,668)
Sales of investments		242,438	249,509
Settlement of foreign currency		—	65
Net cash inflow from investing activities		**66,170**	**17,906**
Repurchase of shares into Treasury		(11,820)	(18,975)
Dividends paid		(8,295)	(8,145)
Drawdown of bank loan		30,979	10,943
Repayment of bank loan		(60,364)	—
Net cash outflow from financing activities		**(49,500)**	**(16,177)**
Increase in cash and cash equivalents		**19,583**	**4,381**
Cash and cash equivalents at start of year		8,299	3,806
Exchange movements		92	112
Cash and cash equivalents at end of year		**27,974**	**8,299**
Cash and cash equivalents consist of:			
Cash and short term deposits	12	27,974	8,299

Reconciliation of net debt

	As at 30th September 2021 £'000	Cash flows £'000	Other non-cash charges £'000	As at 30th September 2022 £'000
Cash and cash equivalents:				
Cash and cash equivalents	8,299	19,583	92	27,974
	8,299	19,583	92	27,974
Borrowings				
Debt due within one year	—	60,364	(69,647)	(9,283)
Debt due after one year	(159,025)	(30,979)	79,073	(110,931)
	(159,025)	29,385	9,426	(120,214)
Total	**(150,726)**	**48,968**	**9,518**	**(92,240)**

The notes on pages 71 to 86 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 30th September 2022

1. Accounting policies

(a) Basis of accounting

The Annual Report & 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 July 2022.

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

The Annual Report & Financial Statements have been prepared on a going concern basis. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence up to 31st January 2024 which is at least 12 months from the date of approval of these Financial Statements. In making their assessment the Directors have reviewed income and expense projections, reviewed the liquidity of the investment portfolio and considered the Company's ability to meet liabilities as they fall due. In forming this opinion, the Directors have also considered any potential impact of the COVID-19 pandemic and the heightened market volatility and more recently the Russian invasion of Ukraine on the going concern and viability of the Company. In making their assessment, the Directors have reviewed and considered the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience. The disclosures on long term viability and going concern on pages 36 and 51 of the Directors' Report form part of these financial statements.

In preparing these financial statements the Directors have considered the impact of climate change risk as a principal and as an emerging risk as set out on page 35, and have concluded that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing.

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

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

(c) Accounting for reserves

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

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

(d) Income

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

Overseas dividends are included gross of any withholding tax.

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

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

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

Notes to the Financial Statements

1. Accounting policies continued (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 10% to revenue and 90% to capital (2021: 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 76.

(f) Finance costs

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

Finance costs are allocated 10% to revenue and 90% to capital (2021: 20% to revenue and 80% to capital) in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

(g) Financial instruments

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

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

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

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

(h) Taxation

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

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

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

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

(i) Value Added Tax ('VAT')

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

(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 Annual Report & 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 Annual Report & 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 Annual Report & Financial Statements on occasion requires the Directors to make judgements, estimates and assumptions that affect the reported amounts in the primary financial statements and the accompanying disclosures. These assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in the current and future periods, depending on circumstance.

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

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

	2022 £'000	2021 £'000
Realised gains on sales of investments	22,077	57,796
Net change in unrealised gains and losses on investments	(440,275)	31,564
Other capital charges	(5)	(4)
Total (losses)/gains on investments held at fair value through profit or loss	**(418,203)**	**89,356**

4. Income

	2022 £'000	2021 £'000
Income from investments		
Overseas dividends	14,016	11,452
Other income		
Stock lending	682	1,551
Total income	**14,698**	**13,003**

5. Management fee

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	512	4,612	5,124	1,186	4,744	5,930

Details of the management fee are given in the Directors' Report on page 43.

Notes to the Financial Statements

6. Other administrative expenses

	2022 £'000	2021 £'000
Administrative expenses	589	479
Directors' fees[1]	209	199
Depositary fees	120	131
Auditors' remuneration for audit services	42	37
	960	**846**

[1] Full disclosure is given in the Directors' Remuneration Report on pages 54 and 56.

Auditors' remuneration for non-audit services amounted to £nil in 2022 (2021: £nil).

7. Finance costs

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank loans and overdrafts	24	222	246	25	100	125
Senior secured loan notes interest	117	1,050	1,167	270	1,079	1,349
	141	**1,272**	**1,413**	**295**	**1,179**	**1,474**

8. Taxation

(a) Analysis of tax charge for the year

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas withholding tax	1,400	—	1,400	1,140	—	1,140
Total tax charge for the year	**1,400**	**—**	**1,400**	**1,140**	**—**	**1,140**

(b) Factors affecting total tax charge for the year

The tax charge for the year is lower than (2021: lower) the Company's applicable rate of corporation tax of 19% (2021: 19%) The factors affecting the total tax charge for the year are as follows:

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return/(loss) before taxation	13,086	(415,759)	(402,673)	10,676	99,550	110,226
Net return/(loss) before taxation multiplied by the Company's applicable rate of corporation tax of 19% (2021: 19%)	2,486	(78,994)	(76,508)	2,028	18,915	20,943
Effects of:						
Non taxable overseas dividends	(2,531)	—	(2,531)	(2,060)	—	(2,060)
Non taxable capital (losses)/gains	—	77,876	77,876	—	(20,040)	(20,040)
Overseas withholding tax	1,400	—	1,400	1,140	—	1,140
Unutilised expenses carried forward to future periods	58	1,118	1,176	43	1,125	1,168
Deferred tax relief expensed	(13)	—	(13)	(11)	—	(11)
Total tax charge for the year	**1,400**	**—**	**1,400**	**1,140**	**—**	**1,140**

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £17,565,000 (2021: £16,018,000) based on a prospective corporation tax rate of 25% (2021: 25%). The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from 1st April 2023. This increase in the standard rate of corporation tax was substantively enacted on 24th May 2021 and became effective from 2nd June 2021. 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 Annual Report & Financial Statements.

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

9. Return/(loss) per share

	2022 £'000	2021 £'000
Revenue return	11,686	9,536
Capital (loss)/return	(415,759)	99,550
Total (loss)/return	**(404,073)**	**109,086**
Weighted average number of shares in issue during the year	156,138,247	159,166,121
Revenue return per share	7.48p	5.99p
Capital (loss)/return per share	(266.28)p	62.54p
Total (loss)/return per share	**(258.80)p**	**68.53p**

There are no dilutive or potentially dilutive shares in issue.

10. Dividends

(a) Dividends paid and proposed

	2022 £'000	2021 £'000
Dividends paid		
2021 final dividend paid of 5.3p (2020: 5.1p) per share	8,295	8,145
Dividend proposed		
2022 final dividend proposed of 6.2p (2021: 5.3p) per share	9,500	8,320

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

The dividend proposed in respect of the year ended 30th September 2022 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 Annual Report & Financial Statements for the year ending 30th September 2023.

(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 £11,686,000 (2021: £9,536,000). The revenue reserve after payment of the final dividend will amount to £9.0 million.

	2022 £'000	2021 £'000
Final dividend proposed of 6.2p (2021: 5.3p) per share	9,500	8,320

Notes to the Financial Statements

11. Investments held at fair value through profit or loss

	2022 £'000	2021 £'000
Investments listed on a recognised stock exchange	815,789	1,300,867
Opening book cost	778,387	739,704
Opening investment holding gains	522,480	490,916
Opening valuation	1,300,867	1,230,620
Movements in the year:		
Purchases at cost	172,654	235,282
Sales proceeds	(239,534)	(254,395)
(Losses)/gains on investments	(418,198)	89,360
	815,789	1,300,867
Closing book cost	733,584	778,387
Closing investment holding gains	82,205	522,480
Total investments held at fair value through profit or loss	**815,789**	**1,300,867**

The company received £239,534,000 (2021: £254,395,000) from investments sold in the year. The book cost of these investments when they were purchased was £217,457,000 (2021: £196,599,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Transaction costs on purchases during the year amounted to £70,000 (2021: £89,000) and on sales during the year amounted to £81,000 (2021: £91,000). These costs comprise mainly brokerage commission.

12. Current assets

	2022 £'000	2021 £'000
Debtors		
Dividends and interest receivable	5,102	3,453
Securities sold awaiting settlement	1,975	4,884
Other debtors	84	65
	7,161	**8,402**

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

	2022 £'000	2021 £'000
Creditors: amounts falling due within one year		
Bank loan (Scotiabank)	9,283	—
Other creditors and accruals	150	179
Senior secured loan notes interest payable	146	154
Bank loan interest payable	40	34
Securities purchased awaiting settlement	—	3,614
Repurchases of the Company's own shares awaiting settlement	—	18
	9,619	**3,999**

During the year the Company had a 3-year floating rate revolving credit facility with Scotiabank maturing on 2nd December 2022, for ¥13.0 billion (2021: ¥13 billion). At 30th September 2022, the Company had drawn down ¥1.5 billion (£9.3 million) (2021: drawn down ¥11.0 billion (£73.1 million) see note 14) of this facility. This credit facility has a non utilisation fee of 0.225% for the period.

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

	2022 £'000	2021 £'000
Bank loan (Mizuho Bank)	30,945	—
Bank loan (Scotiabank)	—	73,118
¥13 billion senior secured loan notes[1]	79,986	85,907
	110,931	**159,025**

[1] Change in value due to foreign currency gains on Yen denominated loan notes and bank loans.

During the year the Company took out a ¥5 billion revolving credit facility with Mizuho Bank Ltd. This facility was in addition to the credit facility with Scotiabank (repaid on 2nd December 2022) and the costs are in line with the previous Scotiabank facility.

During the year the Company had five senior secured loan notes as follows:

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

15. Called up share capital

	2022 £'000	2021 £'000
Issued and fully paid share capital:		
Ordinary shares of 25p each		
Opening Balance of 156,980,434 ordinary shares of 25p each (2021: 159,839,078) excluding shares held in Treasury	39,245	39,960
Repurchase of 2,278,345 (2021: 2,858,644) shares into Treasury	(570)	(715)
Subtotal of 154,702,089 (2021: 156,980,434) shares of 25p each excluding shares held in Treasury	38,675	39,245
6,545,989 (2021: 4,267,644) shares held in Treasury	1,637	1,067
Closing Balance of 161,248,078 (2021: 161,248,078) shares 25p each including shares held in Treasury	**40,312**	**40,312**

Further details of transactions in the Company's shares are given in the Strategic Report on page 77.

Notes to the Financial Statements

16. Capital and reserves

	Called up share capital £'000	Capital redemption reserve[1] £'000	Other reserve[1] £'000	Capital reserves: Realised gains and losses £'000	Capital reserves: Investment holding gains and losses £'000	Capital reserves: Gains and losses on foreign currency loans £'000	Capital reserves: Capital reserves total[1] £'000	Revenue reserve[1] £'000	Total £'000
Opening balance	**40,312**	**8,650**	**166,791**	**391,485**	**522,480**	**9,685**	**923,650**	**15,141**	**1,154,544**
Net foreign currency losses on cash and cash equivalents	—	—	—	(1,123)	—	—	(1,123)	—	(1,123)
Realised gains on sale of investments	—	—	—	22,077	—	—	22,077	—	22,077
Net change in unrealised gains and losses on investments	—	—	—	—	(440,275)	—	(440,275)	—	(440,275)
Unrealised exchange gains on foreign currency loan	—	—	—	—	—	12,324	12,324	—	12,324
Repurchase of shares into Treasury	—	—	—	(11,802)	—	—	(11,802)	—	(11,802)
Realised losses on repayment of loans	—	—	—	(2,873)	—	—	(2,873)	—	(2,873)
Transfer on loans repaid in year	—	—	—	5,657	—	(5,657)	—	—	—
Management fee and finance costs charged to capital	—	—	—	(5,884)	—	—	(5,884)	—	(5,884)
Other capital charges	—	—	—	(5)	—	—	(5)	—	(5)
Dividend paid in the year	—	—	—	—	—	—	—	(8,295)	(8,295)
Retained revenue for the year	—	—	—	—	—	—	—	11,686	11,686
Closing balance	**40,312**	**8,650**	**166,791**	**397,532**	**82,205**	**16,352**	**496,089**	**18,532**	**730,374**

[1] In accordance with the Company's Articles of Association and with ICAEW Technical Release 02/17BL on Guidance on Realised and Distributable Profits under the Companies Act 2006, the Capital reserves may be used as distributable profits for all purposes and, in particular, the repurchase by the Company of its ordinary shares and for payments as dividends.

The £16,352,000 of Capital reserves arising on the exchange gain on the foreign currency loan is not distributable. The remaining amount of Capital reserves totalling £479,737,000 is subject to fair value movements, may not be readily realisable at short notice and as such may not be entirely distributable.

The Capital redemption reserve is not distributable under the Companies Act 2006.

The Other reserve of £166,791,000 was created during the year ended 30th September 1999, following a cancellation of the share premium account, and forms part of the Company's distributable reserves.

The investments are subject to financial risks included in note 22. As such Capital reserves (arising on investments sold) and Revenue reserve may not be entirely distributable if a loss occurred during the realisation of these investments.

17. Net asset value per share

	2022	2021
Net assets (£'000)	730,374	1,154,544
Number of shares in issue	154,702,089	156,980,434
Net asset value per share	**472.1p**	**735.5p**

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

	2022 £'000	2021 £'000
Net (loss)/return before finance costs and taxation	(401,260)	111,700
Add capital loss/(less capital return) before finance costs and taxation	414,487	(100,729)
Increase in accrued income and other debtors	(1,668)	(643)
(Decrease)/increase in accrued expenses	(29)	28
Tax withheld on overseas dividends	(1,400)	(1,140)
Management fee charged to capital	(4,612)	(4,744)
Dividends received	(10,967)	(9,624)
Realised losses on foreign currency transactions	(1,215)	(364)
Net cash outflow from operations before dividends and interest	**(6,664)**	**(5,516)**

19. Contingent liabilities and capital commitments

At the balance sheet date there were no contingent liabilities or capital commitments (2021: same).

20. Transactions with the Manager and related parties

Details of the management contract are set out in the Directors' Report on page 43. The management fee payable to the Manager for the year was £ 5,124,000 (2021: £5,930,000) of which £nil (2021: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 74 are safe custody fees amounting to £74,000 (2021: £125,000) payable to JPMorgan Chase Bank, N.A., of which £nil (2021: £58,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through other JPMorgan subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities for the year was £2,000 (2021: £2,000) of which £nil (2021: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £5,000 (2021: £4,000) were payable to JPMorgan Chase Bank N.A. during the year of which £2,000 (2021: £2,000) was outstanding at the year end.

At the year end, total cash of £27,974,000 (2021: £8,299,000) was held with JPMorgan Chase. A net amount of interest of £nil (2021: £nil) was receivable by the Company during the year from JPMorgan Chase of which £nil (2021: £nil) was outstanding at the year end.

Stock lending income amounting to £682,000 (2021: £1,551,000) was receivable by the Company during the year. JPMorgan Chase Bank N.A. commissions in respect of such transactions amounted to £76,000 (2021: £172,000).

Full details of Directors' remuneration and shareholdings can be found on pages 54 and 56 and in note 6 on page 74.

21. Disclosures regarding financial instruments measured at fair value

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

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

Level 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.

Notes to the Financial Statements

21. Disclosures regarding financial instruments measured at fair value (continued)

Level 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.

Level 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 71.

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

	2022		2021	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	815,789	—	1,300,867	—
Total	**815,789**	**—**	**1,300,867**	**—**

There were no transfers between Level 1, 2 or 3 during the year (2021: 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.

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

(a) Market risk

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

(i) Currency risk

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

Management of currency risk

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

Foreign currency exposure

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

	2022		2021	
	Yen £'000	Total £'000	Yen £'000	Total £'000
Current assets	34,706	34,706	16,293	16,293
Creditors	(120,400)	(120,400)	(162,878)	(162,878)
Foreign currency exposure on net monetary items	(85,694)	(85,694)	(146,585)	(146,585)
Investments held at fair value through profit or loss	815,789	815,789	1,300,867	1,300,867
Total net foreign currency exposure	**730,095**	**730,095**	**1,154,282**	**1,154,282**

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/(loss) after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and the income receivable in foreign currency and assumes a 10% (2021: 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.

Notes to the Financial Statements

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

(a) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity (continued)

	2022		2021	
	If sterling strengthened by 10% £'000	If sterling weakened by 10% £'000	If sterling strengthened by 10% £'000	If sterling weakened by 10% £'000
Statement of Comprehensive Income – return/(loss) after taxation				
Revenue (loss)/return	(1,402)	1,402	(1,145)	1,145
Capital return/(loss)	8,569	(8,569)	14,659	(14,659)
Total return/(loss) after taxation	7,167	(7,167)	13,514	(13,514)
Net assets	**7,167**	**(7,167)**	**13,514**	**(13,514)**

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

(ii) Interest rate risk

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on the Company's variable rate cash borrowings. The Directors have sought to reduce interest rate risk by entering into long-term fixed rate borrowing, which accounted for 66.5% (2021: 54.0%) of total borrowings.

Management of interest rate risk

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

Interest rate exposure

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

	2022 £'000	2021 £'000
Exposure to floating interest rates:		
Cash and cash equivalents	27,974	8,299
Floating rate bank loan	(40,228)	(73,118)
Total exposure	**(12,254)**	**(64,819)**

Interest receivable on cash balances, or payable on overdrafts, is at a margin below or above SONIA (in respect of Sterling balances) and TONAR (in respect of Yen balances) respectively. (2021: same).

Interest rate sensitivity

The following table illustrates the sensitivity of the return/(loss) after taxation for the year and net assets to a 1% (2021: 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.

	2022		2021	
	1% increase in rate £'000	1% decrease in rate £'000	1% increase in rate £'000	1% decrease in rate £'000
Statement of Comprehensive Income – (loss)/return after taxation				
Revenue return/(loss)	240	(240)	(63)	63
Capital (loss)/return	(362)	362	(585)	585
Total (loss)/return after taxation for the year	(122)	122	(648)	648
Net assets	**(122)**	**122**	**(648)**	**648**

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

(iii) Other price risk

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

Management of other price risk

The Board meets on at least four occasions each year to consider the asset allocation of the portfolio and the risk associated with particular industry sectors. The investment management team has responsibility for monitoring the portfolio, which is selected in accordance with the Company's investment objective and seeks to ensure that individual stocks meet an acceptable risk/reward profile. The Company will not normally use derivative instruments, including forward currency contracts, to hedge market risk.

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:

	2022 £'000	2021 £'000
Investments held at fair value through profit or loss	815,789	1,300,867

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

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 25 to 26. 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/loss after taxation for the year and net assets to an increase or decrease of 20% (2021: 20%) 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.

Notes to the Financial Statements

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

(a) Market risk (continued)

(iii) Other price risk (continued)

Other price risk sensitivity (continued)

	2022		2021	
	20% increase in fair value £'000	20% decrease in fair value £'000	20% increase in fair value £'000	20% decrease in fair value £'000
Statement of Comprehensive Income – return/(loss) after taxation				
Revenue return – (loss)/return	(65)	65	(208)	208
Capital return – return/(loss)	162,570	(162,570)	259,341	(259,341)
Total return/(loss) after taxation	162,505	(162,505)	259,133	(259,133)
Net assets	**162,505**	**(162,505)**	**259,133**	**(259,133)**

(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. Details of the Board's stress testing of the portfolio's liquidity can be found in the Viability section of the Strategic Report on page 36.

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 77.

Liquidity risk exposure

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

	2022			
	Three months or less £'000	More than three months but not more than one year £'000	More than one year £'000	Total £'000
Creditors: amounts falling due within one year				
Bank loan – including interest	9,365	—	—	9,365
Other creditors and accruals	150	—	—	150
Creditors: amounts falling due after more than one year				
Senior secured loan notes – including interest	397	770	124,378	125,545
	9,912	**770**	**124,378**	**135,060**

	2021 Three months or fewer £'000	More than three months but not more than one year £'000	More than one year £'000	Total £'000
Creditors: amounts falling due within one year				
Repurchase of the Company's own shares awaiting settlement	18	—	—	18
Securities purchased awaiting settlement	3,614	—	—	3,614
Other creditors and accruals	179	—	—	179
Creditors: amounts falling due after more than one year				
Bank loan – including interest	149	354	73,199	73,702
Senior secured loan notes – including interest	363	636	101,031	102,030
	4,323	**990**	**174,230**	**179,543**

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

(c) Credit risk

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

Management of credit risk

Portfolio dealing

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

Cash and cash equivalents

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

Exposure to JPMorgan Chase

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

Credit risk exposure

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

The aggregate value of securities on loan at 30th September 2022 amounted to £167.9 million (2021: £121.9 million) and the maximum value of stock on loan during the year amounted to £235.1 million (2021: £176.2 million). Collateral is obtained by JPMorgan Asset Management and is called in on a daily basis to a value of 102% of the value of the securities on loan if that collateral is denominated in the same currency as the securities on loan and 105% if it is denominated in a different currency.

Notes to the Financial Statements

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

(d) Fair values of financial assets and financial liabilities

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

	Carrying value		Fair value	
	2022 £'m	2021 £'m	2022 £'m	2021 £'m
¥13 billion senior secured loan notes	80.0	85.9	78.3	91.9

23. Capital management policies and procedures

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

	2022 £'000	2021 £'000
Debt:		
Bank loans	40,228	73,118
Senior secured loan notes	79,986	85,907
	120,214	**159,025**
Equity:		
Called up share capital	40,312	40,312
Reserves	690,062	1,114,232
	730,374	1,154,544
Total debt and equity	**850,588**	**1,313,569**

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.

	2022 £'000	2021 £'000
Investments held at fair value through profit or loss	815,789	1,300,867
Net assets	730,374	1,154,544
Gearing	**11.7%**	**12.7%**

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

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

24. Subsequent events

Subsequent to the year end, a further 735,000 shares have been repurchased into Treasury.

The Scotiabank facility expired on 2nd December 2022, therefore the maximum gearing is currently limited to c. 14%. The Board is reviewing options to replace this facility.

Regulatory Disclosures

Alternative Investment Fund Managers Directive ('AIFMD') Disclosures (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 2021, which gives the following figures:

	Gross Method	Commitment Method
Leverage exposure		
Maximum limit	200%	200%
Actual[1]	116%	117%

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

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

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

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

Remuneration Policy

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

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

The Board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of AIFMD Identified Staff. The Board last reviewed and adopted the Remuneration Policy that applied for the 2020 Performance Year in June 2020 with no material changes and was satisfied with its implementation.

Quantitative Disclosures

The table below provides an overview of the aggregate total remuneration paid to staff of the Management Company in respect of the 2021 Performance Year and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an Assets Under Management ('AUM') weighted basis.

Due to the Firm's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 32 Alternative Investment Funds (with 4 sub-funds) and 2 UCITS (with 42 sub-funds) as at 31st December 2021, with a combined AUM as at that date of £23.4 billion and £24.8 billion respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company (US$'000s)	23,244	16,065	39,309	153

The aggregate 2021 total remuneration paid to AIFMD Identified Staff was USD $84,714,000, of which USD $6,570,000 relates to Senior Management and USD $78,144,000 relates to other Identified Staff.[1]

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

Regulatory Disclosures

Securities Financing Transactions Regulation Disclosure (Unaudited)

The Company engages in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions). In accordance with Article 13 of the Regulation, the Company's involvement in and exposures related to SFTR for the accounting year ended 30th September 2022 are detailed below.

Global Data

Amount of securities on loan

The total value of securities on loan as a proportion of the Company's total lendable assets, as at the balance sheet date, is 20.19%.Total lendable assets represents the aggregate value of assets types forming part of the Company's securities lending programme.

Amount of assets engaged in securities lending

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

	Value £'000	% of AUM
Securities lending	167,908	22.99%

Concentration and Aggregate Transaction Data

Counterparties

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

Counterparty	Country of Incorporation	Value £'000
JP Morgan	United States of America	47,683
Morgan Stanley	United States of America	46,103
Citigroup	United States of America	40,192
Goldman	United States of America	26,457
Nomura	Japan	2,693
UBS	Switzerland	2,560
Merrill Lynch	United States of America	982
Credit Suisse Group	Switzerland	559
BNP	France	420
Jefferies	United States of America	92
HSBC	United Kingdom	90
Bank of Nova Scotia	Canada	79
Total		**167,910**

Maturity tenure of security lending transactions

The Company's securities lending transactions have open maturity.

Collateral Issuers

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

Issuer	Collateral Value £'000
Government of Japan	60,285
United States of America Treasury	49,810
United Kingdom Treasury	34,920
Kingdom of Belgium Government	5,490
Federal Republic of Germany Government	2,422
French Republic Government	1,558
Republic of Austria Government	723
Republic of Finland Government	205
Kingdom of Netherlands Government	3
Total	**155,416**

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

Type, quality and currency of collateral

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

Type	Quality	Currency	Value £'000
Sovereign Debt	Investment Grade	JPY	60,285
Treasury Notes	Investment Grade	USD	37,016
Sovereign Debt	Investment Grade	GBP	34,920
Treasury Bonds	Investment Grade	USD	12,786
Sovereign Debt	Investment Grade	EUR	10,401
Treasury Bills	Investment Grade	USD	8
Total			**155,416**

Maturity tenure of collateral

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

Maturity	Value £'000
1 day to 1 week	–
1 week to 1 month	4
1 to 3 months	42
3 to 12 months	42,762
More than 1 year	112,608
Total	**155,416**

Regulatory Disclosures

Settlement and clearing

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

Re-use of collateral

Share of collateral received that is reused and reinvestment return

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

Cash collateral (£8.6 million) received in the context of securities lending transactions may be reused in accordance with the provisions contained within the Company's investment restrictions and guidelines; however the Company does not currently reinvest cash collateral received in respect of securities lending transactions.

Safekeeping of collateral

All collateral (£18.2 million) received by the Company in respect of securities lending transactions as at the balance sheet date is held by the Depository.

Return and cost

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

Notice of Annual General Meeting

Notice is hereby given that the ninety-fourth Annual General Meeting of JPMorgan Japanese Investment Trust plc (the 'Company') will be held at the Offices of JPMorgan, 60 Victoria Embankment, London EC4Y 0JP on 12th January 2023 at 12.30 p.m. for the following purposes:

1. To receive the Directors' Report & Financial Statements and the Auditors' Report for the year ended 30th September 2022.
2. To approve the Director's Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 30th September 2022.
4. To approve a final dividend of 6.2p per share.
5. To reappoint Stephen Cohen as a Director of the Company.
6. To appoint Anna Dingley as a Director of the Company.
7. To appoint Sally Duckworth as a Director of the Company.
8. To reappoint Sally Macdonald as a Director of the Company.
9. To reappoint George Olcott as a Director of the Company.
10. To reappoint Christopher Samuel as a Director of the Company.
11. To appoint Ernst & Young LLP as Auditors of the Company.
12. To authorise the Directors to determine the Auditors' remuneration.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

13. 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 £3,849,177 or, if different the aggregate nominal amount representing approximately 10% of the Company's issued Ordinary share capital as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2024 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

14. THAT subject to the passing of Resolution 13 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 Companies Act 2006 (the 'Act')) for cash pursuant to the authority conferred by Resolution 13 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities and the sale of Treasury shares for cash up to an aggregate nominal amount of £3,849,177 or, if different the aggregate nominal amount representing approximately 10% of the issued share capital as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 13 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or Treasury shares to be sold after such expiry and so that the Directors of the Company may allot equity securities or sell Treasury shares 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

15. 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 23,079,666 or, if less, that number of Ordinary shares which is equal to 14.99% of the Company's issued share capital (less shares held in Treasury) as at the date of the passing of this resolution;

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

    (iii) the maximum price which may be paid for an Ordinary share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for an Ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the

Ordinary share is contracted to be purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

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

(v) the authority hereby conferred shall expire on 12th July 2024 unless the authority is renewed at the Annual General Meeting in 2024 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
Nira Mistry, for and on behalf of JPMorgan Funds Limited,
Company Secretary

13th December 2022

Notes

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

1. If law or Government guidance so requires at the time of the Meeting, the Chairman of the Meeting will limit, in his sole discretion, the number of individuals in attendance at the Meeting. In addition, the Company may still impose entry restrictions on certain persons wishing to attend the AGM in order to secure the orderly and proper conduct of the Meeting.
2. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
3. 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. However, please note that in the current circumstances, your vote may not be counted where a proxy other than the Chairman of the Meeting is appointed as additional third parties may not be permitted entry to the meeting.
4. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
5. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments 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.

Notice of Annual General Meeting

6. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.
7. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
8. 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 may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.

   Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
9. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's Annual Report & Financial Statements (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; 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 AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
10. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
11. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
12. A copy of this notice 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 can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
13. In accordance with Section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM, the total voting rights members are entitled to exercise at the AGM 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.

14. The register of interests of the Directors and connected persons in the called-up 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 AGM. No Director has any contract of service with the Company.
15. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
16. As an alternative to completing a hard copy Form of Proxy/Voting Direction 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 Direction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.
17. As at 9th December 2022 (being the latest business day prior to the publication of this Notice), the Company's called-up share capital consists of 153,967,089 Ordinary shares (excluding treasury shares) carrying one vote each. Therefore the total voting rights in the Company are 153,967,089.

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.

Glossary of Terms and Alternative Performance Measures ('APMs') (Unaudited)

Return to Shareholders (APM)

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

Total return calculation	Page	Year ended 30th September 2022	Year ended 30th September 2021	
Opening share price (p)	7	682.0	619.0	(a)
Closing share price (p)	7	438.5	682.0	(b)
Total dividend adjustment factor[1]		1.007982	1.007123	(c)
Adjusted closing share price (p) (d = b x c)		442.0	686.9	(d)
Total return to shareholders (e = d / a – 1)		**–35.2%**	**11.0%**	(e)

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

Return on Net Assets with Debt at Par Value (APM)

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

Total return calculation	Page	Year ended 30th September 2022	Year ended 30th September 2021	
Opening NAV per share (p)	7	735.5	670.8	(a)
Closing NAV per share (p)	7	472.1	735.5	(b)
Total dividend adjustment factor[1]		1.007696	1.006996	(c)
Adjusted closing NAV per share (p) (d = b x c)		475.7	740.6	(d)
Total return on net assets with debt at par value (e = d / a – 1)		**–35.3%**	**10.4%**	(e)

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

Return on Net Assets with Debt at Fair Value (APM)

The Company's debt (senior secured loan notes) is valued in the Statement of Financial Position (on page 84) at amortised cost, which is materially equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as 'Debt at Par Value'. The current replacement or market value of the debt, which assumes it is repaid and renegotiated under current market conditions, is often referred to as the 'Debt at Fair Value'.

This fair value is explained in note 22(d) (on page 96) on the accounts. The difference between fair and par values of the debt is subtracted from the NAV to derive the NAV with debt at fair value. The fair value of the ¥13 billion senior secured loan notes issued by the Company has been calculated using discounted cash flow techniques, using the yield from similar dated gilt plus a margin based on the five year average for the AA Barclays Yen Corporate Bond spread.

As at 30th September 2022, the NAV with debt at fair value was £732,081,000 (2021: £1,148,544,000) or 473.2p (2021: 731.6p) per share.

Total return calculation	Page	Year ended 30th September 2022	Year ended 30th September 2021	
Opening NAV per share (p)	7	731.7	665.8	(a)
Closing NAV per share (p)	7	473.2	731.7	(b)
Total dividend adjustment factor[1]		1.007738	1.007042	(c)
Adjusted closing NAV per share (p) (d = b x c)		476.86	736.9	(d)
Total return on net assets with debt at par value (e = d / a – 1)		**–34.8%**	**10.7%**	(e)

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

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

Glossary of Terms and Alternative Performance Measures ('APMs') (Unaudited)

Benchmark total return

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

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

Gearing/(Net cash) (APM)

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

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

Gearing calculation	Page	30th September 2022 £'000	30th September 2021 £'000	
Investments held at fair value through profit or loss	69	815,789	1,300,867	(a)
Net assets	69	730,374	1,154,544	(b)
Gearing (c = a / b – 1)		**11.7%**	**12.7%**	(c)

Ongoing Charges (APM)

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

Gearing calculation	Page	Year ended 30th September 2022 £'000	Year ended 30th September 2021 £'000	
Management fee	68	5,124	5,930	
Administrative expenses	68	959	846	
Total management fee and other administrative expenses		6,083	6,776	(a)
Average daily net assets		891,291	1,106,951	(b)
Ongoing charges (c = a / b)		**0.68%**	**0.61%**	(c)

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

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

The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium (page 7).

Premium – companies which produce very good returns for shareholders (economics) and can continue to do so for a long time because they have a durable competitive position (duration). They do not impair returns to shareholders through poor capital allocation (competence) or because of divergent interests (motives).

Quality – generally well-run businesses which make a good return, but our confidence in their long-term value creation is lower than for premium companies.

Trading – companies which do not offer appealing or sustainable creation of value for shareholders, especially when viewed on a risk/reward basis. Instead, changes in valuation are needed to boost the attractiveness of the idea, rather than relying on underlying value created by the company.

Where to Buy J.P. Morgan Investment Trusts

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

1. Via a third party provider

Third party providers include:

AJ Bell You Invest
Barclays Smart Investor
Charles Stanley Direct
Fidelity Personal Investing
Halifax Share Dealing
Hargreaves Lansdown
Interactive Investor

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

The Board encourages all of its shareholders to exercise their rights and notes that many specialist platforms provide shareholders with the ability to receive company documentation, to vote their shares and to attend general meetings, at no cost. Please refer to your investment platform for more details, or visit the Association of Investment Companies' ('AIC') website at www.theaic.co.uk/aic/shareholder-voting-consumer-platforms for information on which platforms support these services and how to utilise them.

2. Through a professional adviser

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

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

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

Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 Reject cold calls
If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2 Check the FCA Warning List
The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3 Get impartial advice
Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Remember: if it sounds too good to be true, it probably is!

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at **www.fca.org.uk/consumers/report-scam-unauthorised-firm.** You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at www.fca.org.uk/scamsmart

FINANCIAL CONDUCT AUTHORITY

FINANCIAL CALENDAR

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

History

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

Company Numbers

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

Market Information

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

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

Website

www.jpmjapanese.co.uk

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

Share Transactions

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

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

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

For company secretarial and administrative matters, please contact Nira Mistry at the above address.

The Association of Investment Companies A member of the AIC

Depositary

The Bank of New York Mellon (International) Limited
160 Queen Victoria Street
London EC4V 4LA

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

Registrar

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

Broker

Investec Bank plc
30 Gresham Street
London EC2V 7QP

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

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by independent financial advisers to ordinary retail investors in accordance with the FCA's rules 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. The Company's ordinary shares are not considered to be 'complex investments' under the FCA's 'Appropriateness' rules and guidance in the Conduct of Business sourcebook.

CONTACT

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

GB A119 | 12/22

J.P.Morgan
ASSET MANAGEMENT