

JPMorgan Japan Small Cap Growth & Income plc

(formerly JPMorgan Japan Smaller Companies Trust plc)

Providing income without compromising on Japanese growth opportunities



Annual Report & Financial Statements
for the year ended 31st March 2021

KEY FEATURES

Investment Objective

The Company's objective is to achieve long-term capital growth through investment in small-sized and medium-sized Japanese companies.

Investment Policy

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

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

Dividend Policy

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

Company Name and Ticker

The Company changed its name from JPMorgan Japan Smaller Companies Trust plc to JPMorgan Japan Small Cap Growth & Income plc on 16th December 2020. The Company also changed its London Stock Exchange stock ticker symbol (TIDM) from JPS to JSGL with effect from 17th December 2020.

Benchmark

The Company's benchmark was the S&P Japan SmallCap Net Return Index (in sterling terms) up to 31st March 2021. With effect from 1st April 2021, the benchmark has been changed to the MSCI Japan Small Cap Index (in sterling terms) which has very similar long term performance but is more widely recognised. Comparison of the Company's performance is made with the benchmark as stated, although investors should note that there is no recognised benchmark that closely reflects the Company's stated investment policy.

Capital Structure

As at 31st March 2021, the Company's issued share capital comprised 55,944,560 Ordinary shares of 10p each, of which 1,434,221 were held in Treasury.

Currency

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

Management Company

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager ('AIFM') and Company Secretary. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (Japan) Limited through JPMorgan Asset Management (UK) Limited.

Association of Investment Companies ('AIC')

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

Website

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



Why invest in JPMorgan Japan Small Cap Growth & Income plc?

Providing income without compromising on Japanese growth opportunities

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

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

Our heritage and our team

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

The team has been managing Japan equities mandates in Tokyo since 1969 and the Company's current investment team has an average of 15 years' experience with the firm and 20 years' experience in the industry. They are supported by JPMorgan Asset Management's extensive resources around the world.

Our investment approach

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

4%

Pays 4% of average NAV per annum as dividends

29

investment professionals in Japan

4,000+

Japanese company meetings each year

400

Approximate number of stocks covered

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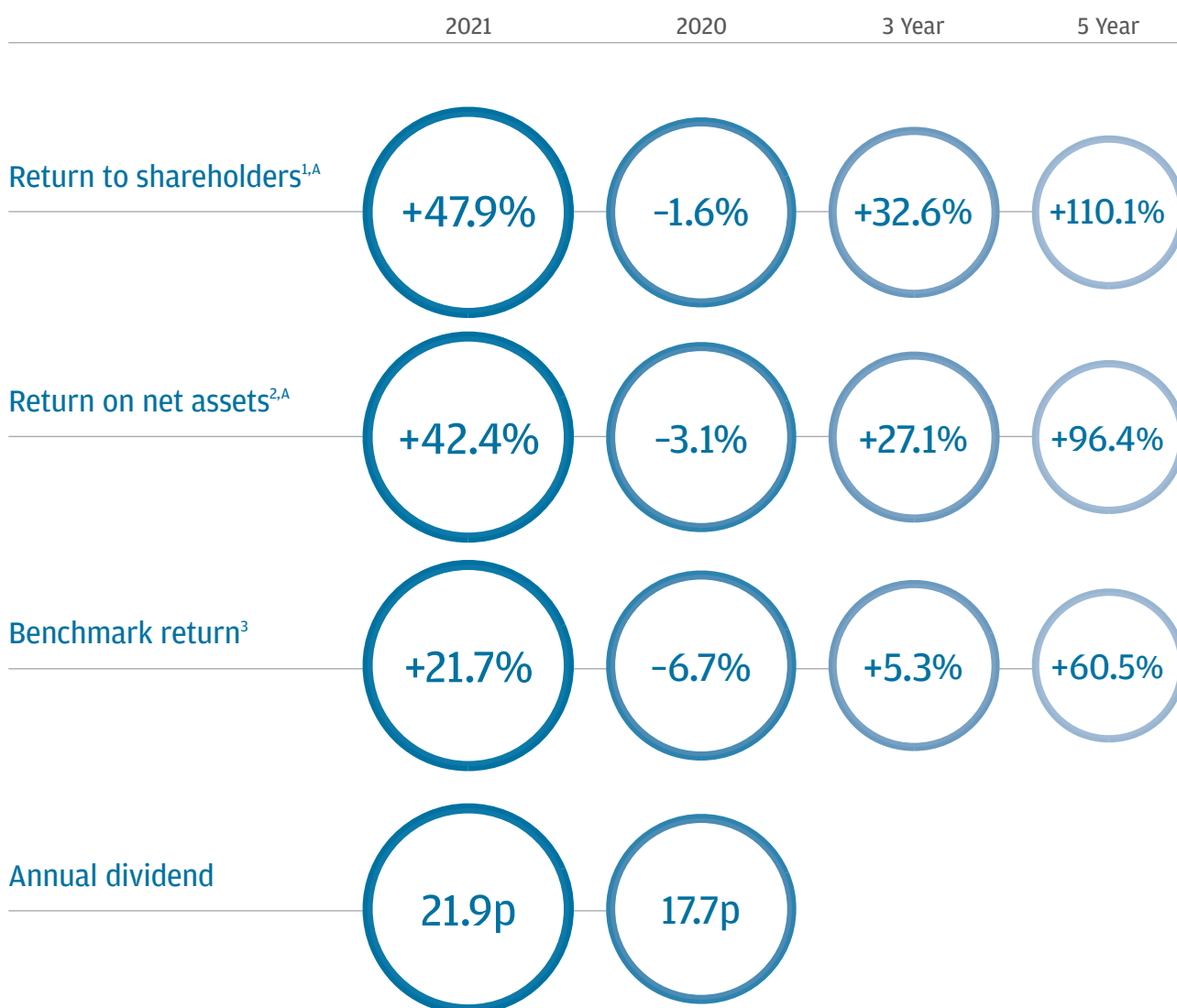
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NOTE: THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares in JPMorgan Japan Small Cap Growth & Income plc, please forward this document, together with the accompanying documents, immediately to the purchaser or transferee, or to the stockbroker, bank or agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Strategic Report

FINANCIAL HIGHLIGHTS

TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED) TO 31ST MARCH



¹ Source: Morningstar.

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

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

^A Alternative Performance Measure ('APM').

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

SUMMARY OF RESULTS

	2021	2020	% change
Total returns for the year ended 31st March			
Return to shareholders ^{1,A}	+47.9%	-1.6%	
Return on net assets ^{2,A}	+42.4%	-3.1%	
Benchmark return ³	+21.7%	-6.7%	
Net asset value, share price and discount as at 31st March			
Net asset value per share ^A	550.0p	401.8p	+36.9
Share price	502.0p	354.0p	+41.8
Share price discount to net asset value per share ^A	8.7%	11.9%	
Shareholders' funds (£'000)	299,818	218,996	+36.9
Shares in issue, excluding shares held in Treasury	54,510,339	54,510,339	
Revenue for the year ended 31st March			
Gross revenue return (£'000)	3,526	3,836	-8.1
Net revenue (loss)/return (£'000)	(31)	415	-107.5
Revenue (Loss)/return per share	(0.06)p	0.76p	-107.9
Dividend per share	21.9p	17.7p	23.7
Gearing as at 31st March ^A	8.1%	7.5%	
Ongoing charges ^A	1.02%	1.14%	

¹ Source: Morningstar.

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

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

^A Alternative Performance Measure ('APM').

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Alexa Henderson
Chairman

Investment Performance

The Company's financial year to 31st March 2021 was dominated by the COVID-19 pandemic indiscriminately impacting people, economies, governments, and businesses across the globe, as countries struggled under various, intermittent lockdowns. Late in the year, the arrival of effective vaccines signalled a path to economic recovery. Political uncertainties eased early in 2021 with the inauguration of new US President Joe Biden, who acted quickly to implement unprecedented levels of fiscal stimulus. These developments, combined with associated concerns about resurgent inflation pressures, marked a decisive turning point in global equity markets. The technology and other growth stocks so popular over most of 2020 fell out of favour with investors, who turned their attention instead to economically sensitive cyclical and value stocks expected to benefit from the improved economic outlook. These stocks outperformed growth strategies in late 2020 and the first quarter of 2021.

Against this backdrop, shareholders enjoyed very strong absolute returns in the financial year to 31st March 2021, and significant outperformance against the benchmark was combined with a tightening of the discount to net asset value. The return to shareholders was +47.9%, while the Company's total return on net asset value (NAV) was +42.4%. The Company's benchmark, the S&P Japan SmallCap Net Return Index (in sterling terms), returned +21.7%. This represents outperformance of 20.7 percentage points. The return to shareholders of +47.9%, reflected the narrowing of the share price discount to net asset value from 11.9% to 8.7% over the year.

However, these very satisfying results obscure the fact that the year was characterised by two distinct periods for performance. Most of the Company's annual returns were realised in the first half of the financial year, when the quality and growth stocks favoured by the Investment Managers outperformed the Company's benchmark. During the second half, as cyclical and value stocks outpaced growth and quality stocks, both the share price and NAV per share fell marginally. However, after adding back the two interim dividends paid in that period, the total return on NAV for the full year was slightly higher than it had been over the first six months. The total return to shareholders was marginally lower as the share price discount widened from 6.4% at the end of September 2020 to 8.7% at the end of March 2021.

The Investment Managers' Report that follows explains the market backdrop in depth and details the stock and sector stories that most impacted the Company's performance over the past year. The Managers also discuss their optimism about the outlook for the Japanese economy and outline the trends and themes they believe will drive the growth in Japanese smaller companies over the short and longer term.

Dividend Policy and Discount Management

The Company's revised dividend policy has now been in place for three years. As a reminder, the dividend policy aims to pay, in the absence of unforeseen circumstances, a regular quarterly dividend equal to 1% of the Company's NAV on the last business day of the preceding financial quarter, being the end of March, June, September and December. Over the year, this would approximate to 4% of the average NAV. This dividend is paid from a combination of revenue, capital and other reserves.

In respect of the year to 31st March 2021, quarterly dividends totalling 21.9p (2020: 17.7p) per share were declared.

One of the objectives of the revised dividend policy is to enhance the Company's appeal to a broader range of investors. Since its introduction, it has therefore been pleasing to note some narrowing of the Company's discount, driven by new demand and positive press commentary.

The Board will keep the dividend policy under constant review and monitor its impact on demand for the Company's shares and the discount. The Board may use share buy-backs, when appropriate, to narrow the discount at which your Company's shares trade.

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

Company Name and Ticker

Reflecting the now established dividend policy, the Company has changed its name to JPMorgan Japan Small Cap Growth & Income plc. This change took effect from 16th December 2020. Following the change of name, the Company also changed its London Stock Exchange stock ticker symbol (TIDM) from JPS to JSGL, with effect from 17th December 2020. The Company's ISIN, SEDOL and LEI remain unchanged and its website URL was renamed www.jpmmjapan-smallcap-growth-and-income.co.uk.

Benchmark Index

Following a review of the composition of relevant indices, the Board decided to change the Company's benchmark from the S&P Japan SmallCap Net Return Index (in sterling terms) to the MSCI Japan Small Cap Index (in sterling terms). This decision was reported in the half year results and took effect from 1st April 2021. The new benchmark index has long term performance very similar to that of the former benchmark, but the Board believes that the new benchmark has the benefit of being more widely recognised by investors.

Gearing

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

The Company has a revolving credit facility of Yen 4.0 billion (with an option to increase available credit to Yen 6.0 billion) with Scotiabank. This facility has a maturity date of October 2022. The loan facility is on favourable and flexible terms, allowing the Company to repay the loan if required, without any penalties.

This credit facility provides the Managers with the ability to gear tactically within the set guidelines. The Company's investment policy permits gearing within a range of 10% net cash to 25% geared. However, the Board requires the Investment Managers to operate in the narrower range of 5% net cash to 15% geared, in normal market conditions. During the year, the Company's gearing level ranged between 6.1% and 10.4%, finishing the financial year at 8.1% (2020: 7.5%).

The Board and Corporate Governance

There has been no change to the composition of the Board during the reporting period. Following the Board's annual evaluation by the Nomination Committee, the Committee felt that the Board's current composition and size is appropriate, and no changes are anticipated over the next 12 months. The Board has a plan to refresh its membership in an orderly manner over time. As part of its long-term succession planning, and to ensure continuity, the Board will seek to recruit new non-executive Directors when current members come up for retirement.

The Board supports annual re-election for all Directors, as recommended by the AIC Code of Corporate Governance, and all Directors will therefore stand for re-election at the forthcoming Annual General Meeting. Shareholders who wish to contact the Chairman or other members of the Board may do so through the Company Secretary or the Company's website, details of which appear below.

As reported in the Investment Managers' report, environmental, social and governance ('ESG') considerations are integral to the Managers' investment process. The Board shares the Managers' view of the importance of ESG when making investments that are sustainable over the long term, and the necessity of continual engagement with investee companies throughout the duration of the investment. The Managers use their regular company meetings with potential and existing portfolio companies to discuss and challenge management on their adherence to best practice. The Board believes that effective stewardship can help to create sustainable value for shareholders. Further information on the Manager's ESG process and engagement is set out in the ESG Report on pages 14 to 17.

Outlook

It is likely to be some time before vaccination programmes vanquish the virus around the world, but the Board shares the Managers' view that the situation will continue to improve. The global economic recovery is gathering momentum, underpinned by ongoing support from governments and central banks. Amidst all its devastating effects on people and businesses, there is reason to hope that the pandemic will also leave some positive changes in its wake, especially in Japan. The impetus the pandemic has given to Japan's digitalisation efforts is likely to be particularly beneficial for productivity over the medium term. Furthermore, Japan's membership of the new regional trading bloc, the Regional Comprehensive Economic Partnership (RCEP) should increase its access to the region's rapidly expanding economies. Japan's smaller companies, which tend to be the economy's most entrepreneurial innovators, should thrive in such an environment, generating many exciting investment opportunities. See the Investment Managers' Report for further discussion.

While the Managers' focus on quality and growth means the portfolio may lag in 'value' rallies such as the one we experienced in the latter part of the review period, the Board shares the Managers' belief that their preference for resilient businesses with leading market positions, robust balance sheets and healthy cash flows, remains the best approach to deliver positive and sustained returns and outperformance over the long term, as it has done in the past.

Annual General Meeting

We are holding the Company's Annual General Meeting at 60 Victoria Embankment, London EC4Y 0JP on 28th July 2021 at 12.00 noon.

The format of the Company's 2021 AGM has unfortunately had to be adapted again. Given the uncertainty about the course of COVID-19, and due to ongoing public health concerns, the Board intends to limit physical attendance at the AGM to the minimum quorum required to allow the formal business to proceed.

Despite these restrictions, the Board is keen to ensure shareholders have the opportunity to hear from the Manager and, accordingly, at the time of the AGM, a webinar will be organised, to include a presentation from the Investment Managers, which may be viewed at the time by registered participants. This will be followed by a live question and answer session. Shareholders are invited to register as webinar participants and pose any questions they have either by submitting them during the webinar or in advance of the AGM via the 'Ask a Question' link on the Company's website, or via email to invtrusts.cosec@jpmorgan.com. Details on how to register as a participant for this event will be available on the Company's website, or they can be requested via the email address above.

The Board strongly encourages all shareholders to submit their votes in advance of the meeting, so that these 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 84 and 85.

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

The Board would like to thank shareholders for their understanding, co-operation and support at this difficult time. We very much hope that you and your families are safe and well and we look forward to meeting with you when, as we all hope, normality has returned.

Alexa Henderson

Chairman

22nd June 2021



Eiji Saito
Investment Manager



Naohiro Ozawa
Investment Manager



Michiko Sakai
Investment Manager

Performance and market review

Over the 12 months to March 2021, the Company's benchmark, the S&P's Japan SmallCap NR (in sterling terms), produced a total return of +21.7%. The Company's net assets outperformed the index by 20.7 percentage points over the period, delivering a return of +42.4%. The Company's performance is ahead of the benchmark by an average 6.6 percentage points per annum over three years and by 4.6 percentage points per annum over five years. The broader TOPIX index advanced 39.3% in Japanese yen terms over the 12 months to end March 2021.

The market spent last summer recovering much of the ground lost in February and March 2020, when the COVID-19 pandemic spread rapidly around the world and sent equity markets into steep decline. This recovery received fresh impetus in November with the arrival of several vaccines, which fuelled hopes of a global economic recovery in 2021. The Japanese market rose sharply over the remainder of 2020 and the first quarter of 2021, reaching a 30-year high by end-March.

However, the positive vaccine news prompted some notable shifts in equity market drivers. High-value technology and other growth and quality stocks led the market during the first six months of the review period, while more economically sensitive businesses that were hardest hit by lockdowns, lagged. Once investors became more confident that these cyclical and value stocks would survive the pandemic, they began to outperform and continued to outpace growth and quality stocks over the remainder of the review period. In addition, the improvement in the economic outlook, combined with further aggressive US fiscal stimulus implemented by the new Biden administration, sparked concerns about inflation and rising interest rates. The valuations of some stocks, especially high-value growth names, were reassessed accordingly, contributing to their underperformance of cyclical and value names over the latter six months of the review period.

The Japanese yen weakened against the US dollar and sterling over the review period.

Spotlight on stocks and sectors

During the 12 months under review, both stock selection and sector allocation had positive impacts on performance. Given our bias towards quality and growth stocks, most of the year's gains were made in the first half of the period, when these stocks performed more strongly than poorer quality, cyclical names.

PERFORMANCE ATTRIBUTION

YEAR ENDED 31ST MARCH 2021

	%	%
Contributions to total returns		
Benchmark return		21.7
Sector allocation	6.9	
Stock selection	11.3	
Gearing/cash	3.6	
Return relative to benchmark		21.8
Portfolio return		43.5
Management fee/other expenses		-1.1
Return on net assets ^A		42.4
Return to shareholders ^A		47.9

Source: Factset, JPMAM, Morningstar.

All figures are on a total return basis.

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

^A Alternative Performance Measure ('APM').

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

Stocks that contributed most significantly to returns included **BASE**, **Bengo4.com** and **Taiyo Yuden**. The pandemic has accelerated trends toward technological innovation and the digitalisation of many commercial, personal and government services. These names are all particularly well-placed to take advantage of these trends and their prospects for strong earnings growth have improved accordingly.

- **BASE** provides an e-commerce platform for smaller companies and individuals. It helps users set up online stores very quickly and easily, without incurring fees. E-commerce market penetration is still low in Japan, compared to many other developed countries and China. However, growth in this sector has accelerated as lockdown restrictions have driven many retail businesses online. Base is ideally positioned to meet the rising demand for online retail platforms.
- **Bengo4.com** is an online portal for lawyers. The company has a dominant market position, and it is at the forefront of the digitalisation of legal work in Japan, including the provision of a cloud-based digital contracts service called Cloudsign, that replaces Japan's traditional personal signature stamps. Cloudsign has the largest number of registered users in Japan and should continue to benefit as the adoption of such digital services becomes more widespread.
- **Taiyo Yuden** manufactures electronic components, including multi-layer ceramic capacitors (MLCCs), which are in increasing demand in the automotive industry. The pace of technological innovation in the auto sector is very rapid, driven by the race to develop electric and autonomous driving vehicles. Demand for these vehicles will translate into huge potential markets for several Japanese manufacturers, including those, like Taiyo Yuden, that provide high quality MLCCs.

Negative contributors to relative performance over the review period included **Star Mica Holdings**, a real estate services company, **Yappli**, a smartphone app development platform, and **Medley**, which provides recruitment services to the healthcare sector. However, despite their short-term share price weakness, in our view, each of these companies possesses competitive advantages that will drive growth over the long term, so we have maintained our exposure.

With respect to sector allocation, top contributors to relative performance included our overweight positions in semiconductors & semiconductor equipment and software & related services. Portfolio gearing also had a positive impact. The main detractors from performance at the sectoral level included overweights to insurance and household & personal products.

Positioning the portfolio for future success

The Company maintained its focus on stocks that we believe will be able to deliver earnings growth over the long term, supported by strong management teams and healthy cashflows. We avoid stocks that operate in industries plagued by excess supply and those that offer nothing to differentiate them from competitors. Many stocks in the financial services and real estate sectors fall into these latter categories.

Three new acquisitions made during the past financial year were **RENOVA**, **Nippon Gas**, and **Fancl**.

- **RENOVA** is a renewable energy supplier operating solar, biomass, onshore and offshore wind power plants. Japan aims to be carbon neutral by 2050 and renewable energy generation will have to expand significantly if the country is to achieve this goal. RENOVA has an established track record in the development and operation of renewable energy plants and is therefore very well-positioned to lead the expansion of Japan's renewable energy industry.
- **Nippon Gas** provides liquefied petroleum gas (LPG) to households and enterprises. Japan's LPG industry is very traditional and currently makes little use of technology. For example, gas providers still send employees to read the gas meters of each of their customers. However, Nippon Gas is challenging the status quo by offering software services to the many micro enterprises in the sector, including an online gas smart meter service that will replace manual meter readings.
- **Fancl** is a leading additive-free cosmetic and dietary supplements company. Both the cosmetics and supplements markets are relatively mature in Japan, but by leveraging their strong brand, we expect Fancl to be able to achieve strong growth by expanding into China and other burgeoning markets in the region.

Three of our largest divestments during the review period were **Pan Pacific International**, **Disco**, and **MonotaRO**. The Company's investment guidelines prohibit investment in Japan's top 100 securities. These stocks are all approaching this threshold, so we closed our positions, realising some sizeable profits.

Over the period, annualised portfolio turnover was around 28%, compared to 10% over the previous year, as we sought to take advantage of the opportunities presented by the pandemic-induced sell-off. The overall shape of the portfolio has little changed, and we maintain a bias towards quality and growth: the portfolio has a higher return on equity (ROE) and higher growth in earnings per share (EPS) than the overall market. The Company's gearing level remained within the expected 8-10% range.

About our investment philosophy and themes

The Company has a commitment to provide investors with access to the innovative and fast-growing smaller companies at the core of the new Japanese economy. Our portfolio favours quality and growth and we aim to invest in companies (other than Japan's largest 200) that we believe can compound earnings growth over the long term, supported by sustainable competitive advantages and good management teams. In our view, their strong and durable market positioning will allow these businesses to substantially increase their intrinsic value over time. We are also attracted to companies willing to reinvest to enhance their growth potential. Our focus on high quality names with growth potential means that the portfolio tends to enjoy a high active share and differs significantly from the benchmark. This provides a further source for additional return, enhancing the Company's scope to outperform.

The Company is managed by a team of three with an average of 15 years' experience with the firm and 20 years' experience in the industry. We are supported by JPMorgan Asset Management's extensive resources around the world. Our stock selection is based on fundamental analysis, which is informed by the in-depth, 'on-the-ground' knowledge and expertise of 29, Tokyo-based, investment professionals. The entire Japanese equity market is very under-researched and inefficiently valued by investors and hence our well-resourced local research team enjoys a significant advantage in identifying and exploiting these information and valuation anomalies. Our local knowledge provides us with a significant advantage in our efforts to identify investment opportunities.

The Japanese smaller companies market comprises diverse sectors with strong growth potential. Many of the constituent businesses service international customers, as well as the domestic market. Moreover, an increasing number of smaller firms have recently increased their focus on improving their return on equity and enhancing dividend yields. When investing in smaller companies, we believe it is important to take a long-term perspective, as excess returns take time to accumulate.

In our view, a consistent investment approach is also key. So, while the portfolio tends to struggle during 'value' rallies, we do not view this as a reason to alter our investment process or style. We remain focused on quality names with structural growth opportunities. The Company is not, however, a 'growth at any price' strategy and we continue our efforts to ensure that we pay a fair price for each investee company, based on our estimate of its five-year expected return.

To minimise exposure to unintended risks, we have constructed a well-balanced and diversified portfolio, that is invested in smaller companies in a wide range of sectors, including not only technology stocks providing software and hardware products, but also materials, chemicals, construction, machinery, retail and restaurant outlets and other consumer goods and services. We also use gearing to enhance the portfolio's returns, but deploy it conservatively to avoid excessive exposure to downside market risk.

Environmental, social and governance ('ESG') considerations are integral to our investment process and a key driver of our quest to generate financial returns, both through portfolio construction and effective ongoing engagement with companies held in the portfolio. The acquisition of RENOVA during the review period is one manifestation of our focus on ESG considerations, as this company is at the forefront of Japan's efforts to expand its renewable energy sources and reduce carbon emissions. Further information on the Company's ESG process and engagement is set out in the ESG Report on pages 14 to 17.

Trends and themes

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

- **Changing demographics:** Japan's population is declining, and the elderly make up an increasingly large percentage of the country's total population. This is a significant economic challenge for the Japanese government, for many reasons, including the associated contraction in Japan's labour supply. However, the government is committed to addressing these issues through digitalisation and regulatory reforms. At the same time, this demographic shift is creating opportunities for innovative smaller firms working to improve the quality of life for older people, for example, by increasing their access to online banking and reducing the need for face-to-face medical appointments.
- **Government efforts to digitalise the economy and raise labour productivity:** Despite being an advanced industrial economy, in certain areas such as financial services and payments, Japan has been slow to digitalise and adopt new technologies. The persistent use of labour intensive, manual gas meter readings mentioned earlier is just one example of this reluctance to change. However, Japan's new Prime Minister, Yoshihide Suga, is driving regulatory reforms and other measures to step up the pace of innovation and raise labour productivity. Measures include the establishment of a digital agency to accelerate the digitalisation of national and local government, education, and healthcare services. Companies operating in all these sectors, either as suppliers or users of productivity-enhancing digital services, will benefit.
- **Technological innovation:** While many sectors of the Japanese economy lag other nations in terms of their technological sophistication, Japan's manufacturers are world class and the country is a leading global supplier of factory automation equipment, robots, electronics parts and materials. Demand for these products presents a myriad of investment opportunities for businesses specialising in niche markets for related products and services.
- **De-carbonisation:** Reducing carbon emissions is an essential part of the global fight to slow climate change. Japanese smaller companies have developed unique technologies related to electric vehicles, solar and wind power plants, and other sources of renewable and clean energy and we maintain our efforts to identify other businesses well-positioned to profit from the global push towards carbon neutrality.
- **Enhanced corporate governance standards:** Japanese companies are making concerted efforts to strengthen their governance standards, encouraged by a raft of government reforms. The number of independent external directors serving on company boards has increased, and corporate practices have improved - internal controls and disclosures have been enhanced and returns to shareholders have risen. However, there is still room for further improvement, and the market is likely to keep rewarding businesses that raise their governance standards. We maintain constructive dialogue with all the companies in our portfolio, to encourage them to maintain their efforts in this direction.
- **Growing overseas demand:** Many of Japan's Asian neighbours are experiencing very rapid and dynamic economic growth, driven by the rise of their middle classes. Japanese luxury goods producers and prestige brands are experiencing rising demand from new customers in China, India and other vibrant and increasingly prosperous Asian countries.

Outlook and strategy

COVID-19 and its aftermath have cast a shadow over Japan's economic outlook. Vaccination programmes are gathering momentum in Japan and around the world, and the global economy is beginning to recover from the devastating effects of the pandemic. However, successive waves of the virus and new variants are generating ongoing uncertainties and delaying the resumption of international travel to many regions. At present, the Japanese government has maintained that the Tokyo Olympics will proceed, but spectators from abroad will not be allowed to minimise the risk of infection. We believe that these decisions should have no impact on our portfolio which focuses on the longer-term growth opportunities. We also believe that the pandemic is likely to leave significant and lasting positive changes in its wake, including industry

consolidations, supply chain diversification and productivity gains from flexible working practices and the more intensive use of information technologies.

Looking further ahead, Japan remains set on its long-term goals - to achieve sustainable, broadly-based growth, driven by digitalisation, the government's reforms to corporate governance and by free trade. Japan's efforts to boost trade with its regional neighbours in coming decades were greatly enhanced when it became a signatory to the Regional Comprehensive Economic Partnership (RCEP), in November 2020. This is a free trade agreement between 15 Asia-Pacific member states, including China, Korea, Indonesia, Singapore and Australia. Member countries represent 30% of the world's population and 30% of global GDP, making it the world's largest trade bloc. The agreement will reduce trade tariffs by 90% over the next 20 years, lower costs and foster deeper co-operation on all aspects of trade across the region. Moreover, average valuations of Japanese companies remain reasonable, both lower than historical averages and below those of most other major markets. In sharp contrast to other developed economies, Japan's smaller and more entrepreneurial companies are at the forefront of innovation, ideally positioned to prosper over the long term.

Regardless of the economic backdrop, at any point in time, we believe it is always important to focus on good quality businesses with leading market positions, strong cashflow generation, robust balance sheets and the potential for structural growth. Our search for such companies is aided by the fact that Japanese businesses typically have significantly large cash positions, and stronger balance sheets than their peers in other developed countries. This strategy puts the Company in a favourable position to uncover exciting investment opportunities amongst smaller companies, and to capitalise on the long-term structural changes playing out in Japan, while weathering any short-term shifts in sentiment driven by the pandemic, trade policies or other economic roadblocks, that may lie ahead. We are therefore confident our investment approach will continue to deliver positive and sustained returns to our shareholders over the medium and long term.

Eiji Saito

Naohiro Ozawa

Michiko Sakai

Investment Managers

22nd June 2021

Environmental, Social and Governance Report

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.

ESG in Japan

Successful engagement in Japan, as ever, requires detailed research, patience and persistence. To be most effective, engagement with Japanese companies is therefore best carried out by experienced local staff. The team of Tokyo-based investment managers, analysts and investment stewardship specialists are very well positioned to ensure effective engagement on behalf of your Company.

It is encouraging that many Japanese companies are now taking steps to improve their corporate governance. A draft revision to the Japanese Corporate Governance Code was released in late March 2021. Whilst, disappointingly, this revision did not include any changes to cross shareholdings, there have been significant moves in connection with sustainability initiatives at corporates, and disclosure of such initiatives. Companies are being asked to disclose their policy on sustainability, show the measures they are taking to ensure and promote diversity, and provide information on their investment in human capital and intellectual property. For the time being, only companies listed on the Prime Market will need to disclose the impact of climate-related risks and opportunities, based on the Taskforce on Climate-related Financial Disclosure ('TCFD') or equivalent framework. The revision to the Corporate Governance Codes follows the amendments to the 2014 Japanese Stewardship Code, which came into effect on 24th March 2020. Investment managers who have adopted the Stewardship Code, are required to consider sustainability as part of their investment process and provide more disclosure. The changes should encourage more integration of ESG factors by other investors, help to promote transparency by companies, and encourage more constructive dialogue between investors and companies.

Whilst the level of disclosure on ESG matters from Japanese companies is improving, it is true to say it remains variable. Larger companies, with foreign investors, tend to be more advanced in their disclosures, in line with the Global Reporting Initiatives ('GRI'), Sustainability Reporting Guidelines or standards of the Sustainability Accounting Standards Board ('SASB'). The GRI guidelines provide a comprehensive set of indicators covering the economic, environmental and ethical impacts of a company's performance, while the SASB standards set industry-specific disclosure standards across financially material ESG factors. As this information becomes increasingly available, the managers plan to start examining how portfolio companies are reporting against the GRI and SASB indicators.

J.P. Morgan Asset Management is also a member of the Investor Group of the 30% Club Japan. The 30% Club is the global campaign founded in the UK in 2010 that aims to achieve at least 30% representation of women on all boards and C-suites globally. The Japan Club was founded in 2019 and aims to achieve 30% representation of women on the boards of TOPIX100 companies by 2030. Representation stood at only 12%, as of July 2020, and only 6% for all Japanese listed companies.

Task Force on Climate-related Financial Disclosures ('TCFD')

Companies are expected to become more transparent through reporting against the climate-related financial risk disclosures developed by the TCFD. At the TCFD summit, hosted by the Ministry of Economy and Trade ('METI') in Tokyo on 9th October 2020, METI announced that 306 Japanese companies had now become signatories to the TCFD, up from 201 a year ago. This put Japan first globally in terms of corporate signatories, ahead of the US (216) and the UK (215). As of March 2021, support for the TCFD has grown to over 2,000 organisations globally.

The J.P. Morgan Asset Management Japan approach

J.P. Morgan Asset Management Japan uses an investor-led active bottom-up process, with emphasis placed on direct engagement with companies. ESG factors are fully integrated into the investment process, and are systematically and explicitly considered through a risk profile analysis on the economics, duration (which includes sustainability) and governance of a company. This process ensures there is due focus on potential risks.

Three quarters of the issues addressed focus on specific ESG areas, including shareholder returns, management strength and the track record on environmental and social issues.

Through this process, the investment team seeks to understand the company-specific or external factors that could negatively impact the company and identify issues to be addressed in future engagements. Combining the ESG research capability with the experience and skill of the investment teams and the expertise of the investment stewardship specialists provides a deep understanding of the risks and opportunities facing different sectors, industries and geographies.

To assist with the analysis of social and environmental issues an independent specialist adviser is used to screen portfolios against the UN Global Compact principles and help to identify abuses in human rights, labour rights, child labour, environmental and anti-corruption issues. This independent screening also provides focus for the engagement with portfolio companies.

Materiality framework

In addition, J.P. Morgan Asset Management is implementing a 'materiality framework' into its ESG considerations. This framework is a proprietary tool used to score companies on the ESG issues that are relevant to the sub-industry in which they operate. Our analysts identify and consider the five most financially material ESG issues in 54 sub-industries, and companies are rated 1 to 5 on each of those five issues. For example, issues around pollution would be material for a commodity company but less material for a software company (where instead issues such as data protection would be material). Most of the ESG issues are linked to one of the 17 UN Sustainable Development Goals.

Strategic priorities for investment stewardship activities globally

In February 2020, J.P. Morgan Asset Management outlined five global investment stewardship priorities. Engagement has commenced with a focus list of companies on these matters. The focus list companies are identified by the global Stewardship team, in collaboration with the investment managers and analysts, as those companies with material ESG risks. The Stewardship team will lead proactive, frequent engagement with these companies to seek to resolve the ESG concerns we have. Whilst it is anticipated that the constituents of the list will change year on year, currently 15 Japanese companies are on the focus list, of which two are held in the Company's portfolio. This engagement is in addition to that undertaken more generally by the Stewardship team, investment managers and analysts in respect of companies in the portfolio, details of which are set out below.

Recent ESG engagement topics

Regular contact with the investee companies is central to the investment process, and there is recognition of the importance of being an 'active' owner on behalf of shareholders. COVID-19 has meant that the opportunities for in-person meetings have been more limited since early 2020, although we have conducted engagements virtually, where feasible.

In meetings with portfolio companies, J.P. Morgan Asset Management seeks to:

- Keep updated on the main drivers of operating performance.
- Question senior management on their strategic priorities.
- Remain fully briefed on the risks that may affect a company's outlook.
- Discuss any issues we may have with the company's ESG practices and if necessary, escalate them.

Working closely with 18 colleagues in London, New York and Hong Kong, the Sustainable Investing team in Japan conducted 76 meetings in the 12 months to 31st March 2021 specifically to discuss ESG issues, of which 11 were with companies held by the Company. A further 32 meetings were attended by portfolio managers and analysts where ESG issues were discussed, often focusing on long-term strategy. Governance was most frequently discussed, at 80% of meetings, followed by 51% on social, and 39% on environmental matters.

Specific topics covered in ESG discussions included board diversity and structure, in particular, gender diversity of the board, measures taken by the company to promote the active participation of women in the workplace, and the setting of medium-term targets to increase women in managerial positions. We will continue to engage on this issue with companies, prior to introducing criteria in our voting guidelines for female representation on boards, which will take effect from April 2022. With regard to environmental issues, we focused our engagement on disclosures on climate change, whether disclosures are in line with TCFD recommendations and if the analysis of the impact on businesses and strategy provides meaningful insights to investors.

With the Japanese government setting targets to achieve carbon neutrality by 2050, both risks and opportunities may transpire as a result of the transition to a low carbon economy at a faster pace than investors may anticipate.

In the event that we are not satisfied with either a company's responsiveness or strategy, we may seek to meet with the chairman (if the chairman is a non-executive director), lead independent, or other independent director(s), or express our concerns through the company's advisers. We may also use our proxy votes in order to try to bring about management change. We may also simply sell out of a stock completely if the company is unresponsive, if we feel that is in the best interests of our shareholders.

Engagement examples

CyberAgent

We voted against the nomination of CEO Susumu Fujita at the 2018 and 2019 AGM, due to the lack of board independence, as the board was composed of only three external directors out of 15 directors and did not fulfil our requirement of one third independent directors. In addition, we voted against external director Koichi Nakamura, who could not be regarded as fully independent as he served as the vice president of Recruit Holdings and, although he retired from Recruit in 2016, CyberAgent has transactional relationships with the group that exceeds 3% of its revenues. Subsequently, we had been engaging with the company to enhance board independence. Listening to our request and other investors at the 2020 AGM the company proposed to reduce significantly the size of the board to eight and add one independent director to make the board composed half of external directors.

We welcomed the change and confirmed that the founder CEO previously used director positions as an incentive but now had introduced a new executive officer system and separated monitoring and management. The company also increased the numbers of executive officers to motivate and reward achievements, based on evaluations that are results-oriented and transparent. Among 24 executive officers, there are a growing numbers of executive officers in their twenties and thirties, and the average age is in the late thirties. Two of the 24 executive officers are female.

We also confirmed that this change in board composition was brought about by the contribution of Koichi Nakamura, who served as the chair of the nomination committee that has been established last year to enhance the transparency of the nomination process. Taking this into consideration, we decided to vote for his appointment despite our previous concern over his independence.

We note that two other external directors and audit members are not independent, as their terms of office exceeds 20 years. We have urged the company to nominate external candidates who can be regarded as independent at their re-election in the 2021 AGM.

Regarding the company's remuneration scheme, a fixed portion comprises a majority of the remuneration and only a limited portion of stock incentives. We asked them to install a scheme that better rewards longer-term success.

LITALICO

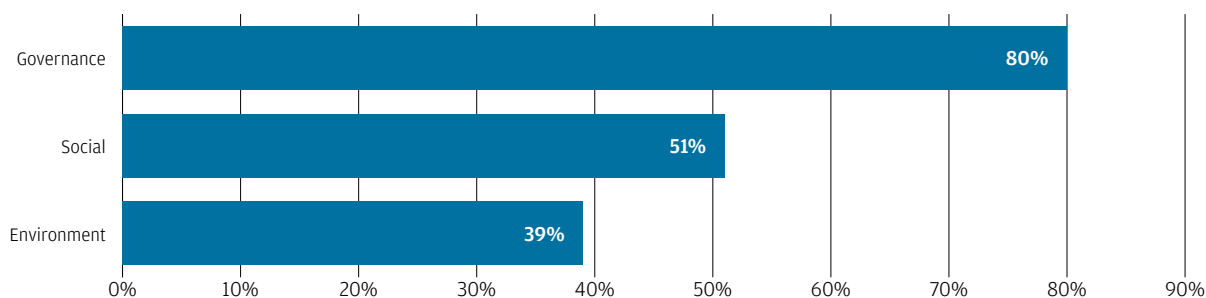
We voted against management on resolutions relating to remuneration such as approval of the restricted stock plan, because the deep discount stock options will cause excessive dilution of over 21.6%, they are exercisable in less than three years after the grant and come with no performance hurdles. We also voted against the retirement bonus for directors as it allows a payment to external directors and could be discouraging to the effective monitoring of the board.

We spoke to the company prior to the AGM due to our discomfort that the proposed increase in the aggregate compensation to directors was too large. Although the financial performance of the company had been good we recommended that the company be more transparent in the way that it remunerated directors by setting out clear short-, medium- and long-term performance hurdles. In addition, we do not consider the payment of retirement bonuses to directors as good practice as they could demotivate effective board oversight. The company was receptive to our suggestions and is working to have a more transparent remuneration framework.

ESG engagement topics

Breakdown of engagements during the year to 31st March 2021

Engagement Agenda agendas in the engagements conducted by stewardship specialists in FY2020



Voting for the year to 31st March 2021

A summary of key voting statistics and activity undertaken in respect of stocks in the Company's portfolio for the year to 31st March 2021 is detailed below. On behalf of the Company, J.P. Morgan Asset Management Japan voted at all the 81 annual general meetings and three extraordinary meetings of investee companies held during the fiscal year. There was one shareholder proposal at MEC to amend the articles of association to mandate the board to publish a corporate history book, which we did not support as it was too prescriptive on an issue that is not material to corporate value.

As last year, the highest percentage of votes against management were in relation to dividend proposals. We voted against management where we were not satisfied with the income allocation, despite taking into consideration investment needed for growth.

Regarding directors' remuneration, we voted against grants of stock options to external directors or when the vesting period is too short. The votes against director and statutory auditor elections were primarily due to independence concerns.

JPMorgan Japan Small Cap Growth & Income plc: Voting at shareholder meetings held during the year to 31st March 2021

	For	Against	Abstain	Against/ Abstain Total	Total Items	% Against
Election of Directors	517	122	0	122	639	17.3%
Election of Statutory Auditors	51	14	0	14	65	21.5%
Director Remuneration ¹	33	9	0	9	42	21.4%
Income Allocation	30	22	0	22	52	42.3%
Capitalisation	1	0	0	0	1	0.0%
Reorganisation and Mergers	4	0	0	0	4	0.0%
Amendment to articles of association	15	3	0	3	18	16.7%
Ratification of auditors	2	0	0	0	2	0.0%
Total	653	170	0	170	823	16.6%

¹ Amendment of remuneration, stock options, performance based pay schemes, directors' bonuses, etc.

The Carbon Scorecard

The portfolio companies have low carbon emissions which is unsurprising, given our emphasis on newer industries. While the carbon footprint is an important starting point to 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 31st March 2021.

	Carbon Emissions tons CO ₂ e / \$M invested	Carbon Intensity tons CO ₂ e / \$M sales	Weighted Average Carbon Intensity tons CO ₂ e / \$M sales
Portfolio Coverage by Portfolio Weight*	60.1 95.7%	122.7 95.7%	78.4 95.7%
Index Coverage by Portfolio Weight*	259.7 99.0%	167.8 99.0%	112.9 99.2%

Source: MSCI ESG Carbon Footprint Calculator

*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

TEN LARGEST INVESTMENTS

AS AT 31ST MARCH

Company	Sector	2021 Valuation		2020 Valuation	
		£'000	% ¹	£'000	% ¹
Miura	Machinery	9,100	2.8	6,739	2.9
Raito Kogyo	Construction	8,234	2.5	6,179	2.6
Taiyo Yuden	Electric Appliances	8,032	2.5	7,452	3.2
Benefit One ²	Services	7,848	2.4	4,308	1.8
Monogatari ²	Retail Trade	7,547	2.3	2,422	1.0
Sansan ²	Information & Communication	7,490	2.3	4,027	1.7
CyberAgent ²	Services	7,270	2.3	4,369	1.9
Raksul ²	Information & Communication	7,135	2.2	1,770	0.8
Mercari ²	Information & Communication	6,783	2.1	3,263	1.4
MEC ²	Chemicals	6,646	2.1	3,528	1.5
Total³		76,085	23.5		

¹ Based on total investments of £324.0m (2020: £235.4m).

² Not included in the ten largest investments at 31st March 2020.

³ At 31st March 2020, the value of the ten largest investments amounted to £58.0m representing 24.6% of total investments.

SECTOR ANALYSIS

	31st March 2021		31st March 2020	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Information & Communication	24.7	9.3	18.3	7.4
Services	15.1	8.2	13.9	7.2
Chemicals	14.7	6.9	14.5	7.4
Electric Appliances	8.3	7.5	7.2	7.4
Machinery	7.9	6.9	11.1	6.3
Retail Trade	6.2	8.9	8.9	9.0
Construction	4.5	5.4	6.4	6.0
Metal Products	4.1	1.6	3.8	1.7
Precision Instruments	2.9	2.1	4.7	2.1
Wholesale Trade	2.9	6.4	2.3	6.6
Real Estate	2.8	9.0	4.0	8.9
Electric Power & Gas	1.7	1.0	–	0.9
Other Financing Business	1.4	1.2	1.7	0.9
Nonferrous Metals	0.8	1.5	–	1.3
Insurance	0.7	0.1	–	0.1
Other Products	0.5	2.1	0.7	2.3
Rubber Products	0.4	0.6	0.7	0.6
Pharmaceutical	0.2	2.0	0.9	2.7
Glass & Ceramics Products	0.2	1.5	0.9	1.4
Banks	–	4.6	–	5.8
Foods	–	3.4	–	3.8
Transportation Equipment	–	1.6	–	2.3
Land Transportation	–	1.6	–	1.7
Textiles & Apparels	–	1.3	–	1.6
Iron & Steel	–	1.3	–	0.9
Securities & Commodity Futures	–	1.1	–	0.9
Pulp & Paper	–	1.0	–	1.0
Fishery, Agriculture & Forestry	–	0.7	–	0.7
Warehousing & Harbour Transportation Services	–	0.4	–	0.4
Marine Transportation	–	0.3	–	0.2
Oil & Coal	–	0.3	–	0.3
Mining	–	0.2	–	0.2
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £324.0m (2020: £235.4m).

PORTFOLIO INFORMATION

LIST OF INVESTMENTS AT 31ST MARCH 2021

Company	Valuation £'000	Company	Valuation £'000	Company	Valuation £'000
INFORMATION & COMMUNICATION		CHEMICALS		CONSTRUCTION	
Sansan	7,490	MEC	6,646	Raito Kogyo	8,234
Raksul	7,135	Mitsui Chemicals	4,794	Sumitomo Densetsu	3,694
Mercari	6,783	Fancl	4,378	Kumagai Gumi	2,738
Nihon Unisys	5,078	Aica Kogyo	4,015		14,666
Capcom	4,775	Fuso Chemical	3,725	METAL PRODUCTS	
Square Enix	4,736	Kansai Paint	3,523	SUMCO	5,575
Digital Garage	4,616	Taiyo Nippon Sanso	3,515	Rinnai	4,033
Medley	4,028	Tri Chemical Laboratories	3,343	Mimasu Semiconductor Industry	3,582
Hennge	3,771	FP	2,869		13,190
DTS	3,482	Nifco	2,432	PRECISION INSTRUMENTS	
NET One Systems	3,381	C Uyemura	2,418	Asahi Intecc	4,074
Minkabu The Infonoid	3,053	Milbon	2,409	Nakanishi	2,933
Money Forward	2,990	Sakai Chemical Industry	1,783	Topcon	2,493
Plaid	2,933	Takara Bio	1,554		9,500
BASE	2,732	I-NE	352	WHOLESALE TRADE	
Kaizen Platform	2,507		47,756	MISUMI	5,173
GMO internet	2,433	ELECTRIC APPLIANCES		As One	3,054
Yappli	1,986	Taiyo Yuden	8,032	Ascentech	987
Creema	1,613	Iriso Electronics	6,270		9,214
Uzabase	1,466	Nohmi Bosai	4,449	REAL ESTATE	
Appier Group	955	Anritsu	4,137	Nippon Prologis REIT	5,962
SpiderPlus	764	Fujitsu General	4,103	Star Mica	2,933
JTOWER	630		26,991		8,895
Locoguide	354	MACHINERY		ELECTRIC POWER & GAS	
GMO Financial Gate	254	Miura	9,100	RENOVA	5,454
	79,945	Nittoku	4,946		5,454
SERVICES		Nissei ASB Machine	4,027	OTHER FINANCING BUSINESS	
Benefit One	7,848	Teikoku Electric Manufacturing	2,667	Mitsubishi UFJ Lease & Finance	4,443
CyberAgent	7,270	Tsukishima Kikai	2,207		4,443
Tosho	6,101	Hirano Tecseed	1,380	NONFERROUS METALS	
Bengo4.com	4,953	Harmonic Drive Systems	1,259	SWCC Showa	2,718
Litalico	4,754		25,586		2,718
Grace Technology	3,564	RETAIL TRADE		INSURANCE	
S-Pool	3,277	Monogatari	7,547	LIFENET INSURANCE	2,179
Infomart	3,226	Cosmos Pharmaceutical	5,721		2,179
Atrae	3,106	Nippon Gas	4,537	INSURANCE	
Persol	2,049	Marui	2,414		2,179
Riso Kyoiku	1,706		20,219		
Advantage Risk Management	894				
Goodpatch	29				
	48,777				

Company	Valuation £'000
OTHER PRODUCTS	
Lintec	1,579
	1,579
RUBBER PRODUCTS	
Sagami Rubber Industries	1,401
	1,401
PHARMACEUTICAL	
Modalis Therapeutics	783
	783
GLASS & CERAMICS PRODUCTS	
Nikkato	706
	706
TOTAL INVESTMENTS	324,002

The portfolio comprises 91 equity investments.

FIVE YEAR RECORD

At 31st March	2016	2017	2018	2019	2020	2021
Total assets less current liabilities (£m)	152.7	207.8	290.2	235.1	248.9	326.1
Undiluted net asset value per share (p)	325.5	377.9	483.1	431.3	401.8	550.0
Diluted net asset value per share (p) ^{1,2}	312.7	377.9	483.1	431.3	401.8	550.0
Share price (p)	269.5	337.5	427.0	376.0	354.0	502.0
Share price discount to diluted net asset value per share (%) ^A	13.8	10.7	11.6	12.8	11.9	8.7
Gearing (%) ^A	4.8	6.3	6.3	7.9	7.5	8.1

Year ended 31st March

Gross revenue return (£'000)	2,259	3,528	3,735	4,007	3,836	3,526
Revenue (loss)/return per share - basic/diluted (p)	(0.29)	1.04	1.06	1.24	0.76	(0.06)
Ongoing charges (%) ^A	1.42	1.31	1.09	1.10	1.14	1.02

Rebased to 100 at 31st March 2016

Total return to shareholders ^{3,A}	100.0	125.2	158.2	144.3	142.0	210.1
Total return on net assets ^{4,A}	100.0	120.9	154.5	142.2	137.8	196.2
Benchmark total return ⁵	100.0	134.6	152.4	141.3	131.9	160.5

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

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

³ Source: Morningstar.

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

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

^A Alternative Performance Measure ('APM').

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

Business Review

The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review. To assist shareholders with this assessment, the Strategic Report sets out amongst other matters:

- the Company, its purpose, values, strategy and culture;
- the business of the Company and Investment Objective;
- its investment policies and risk management;
- the investment restrictions and guidelines;
- the performance and key performance indicators;
- share capital;
- Board diversity;
- employees, social, environmental, community and human rights;
- Greenhouse Gas Emissions, Modern Slavery and Corporate Criminal Offence;
- the principal and emerging risks and how the Company seeks to manage those risks; and
- the Company's long term viability.

The Company's Purpose, Values, Strategy and Culture

The purpose of the Company is to provide an investment vehicle which meets the needs of investors, whether large institutions, professional advisers or individuals, who seek long term investment returns from Japan Small Cap Growth & Income in an accessible, cost effective way. The Company, and its predecessor, has been investing in Japanese smaller companies since 1984 and has a premium listing on the London Stock Exchange. Its objective is to achieve long-term capital growth through investment in small-sized and medium-sized Japanese companies. It seeks to outperform its benchmark index, the S&P Japan SmallCap NR (in sterling terms) up to 31st March 2021 and the MSCI Japan Small Cap Index (in sterling terms) with effect from 1st April 2021, over the longer term and to manage risk by investing in a diversified portfolio of Japan-based companies, emphasising capital growth rather than income.

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

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

culture that both supports and challenges the investment management company and its other third party suppliers.

Investment Objective

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

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

Structure of the Company

The Company is subject to UK and European legislation and regulations including UK company law, UK Financial Reporting Standards, the FCA Listing, Prospectus, Disclosure Guidance and Transparency Rules, the Market Abuse Regulation, taxation law, the Company's own Articles of Association and the Alternative Investment Fund Managers Directive. After 31st December 2020, new autonomous UK regulations became effective replacing those of the EU. Those EU regulations that were relevant to the Company have been incorporated into UK law and therefore there has been no change in practice. Although it is too soon to determine the long term impact of the UK's withdrawal from the EU, the effect on the Company is expected to be minimal.

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

The Company's Investment Policy is described on the inside front cover.

Investment Restrictions and Guidelines

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

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

transactions, when used, will be for the purposes of efficient portfolio management and not for speculative purposes.

- Investment in Japanese domiciled unquoted companies is only permitted with the prior approval of the Board.

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

Review of Performance

In the year ended 31st March 2021, the Company produced a total return on net assets of +42.4% and a total return to ordinary shareholders of +47.9%. These outcomes compare with the total return on the Company's benchmark index of +21.7%. As at 31st March 2021, the value of the Company's investment portfolio was £324 million. The Investment Managers' Report on pages 9 to 13 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Total Return, Revenue and Dividends

Gross total return for the year amounted to £95.5 million (2020: £2.9 million loss) and the net total return after deducting the management fee, other administrative expenses, finance costs and taxation amounted to £91.9 million (2020: £6.3 million loss). The net revenue loss for the year amounted to £0.03 million (2020: £0.4 million return). The total dividend for the year was £11.9 million (2020: £9.6 million).

With effect from 1st April 2018, the Company has implemented a dividend policy under which the Company aims to pay, in the absence of unforeseen circumstances, a regular quarterly dividend equal to 1% of the Company's Net Asset Value ('NAV') on the last business day of the preceding financial quarter, being the end of March, June, September and December. Over the year this would approximate to 4% of the average NAV. These dividends are paid from a combination of the revenue, capital and other reserves. In respect of quarters to 30th June 2020, 30th September 2020, 31st December 2020 and 31st March 2021, dividends of 5.0p, 5.5p, 5.9p and 5.5p per share respectively were declared. A Resolution to approve the Company's dividend policy will be put to shareholders at the forthcoming Annual General Meeting.

Key Performance Indicators ('KPIs')

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

- **Absolute performance**
The Company seeks to provide long-term capital growth through investment in small and medium-sized Japanese

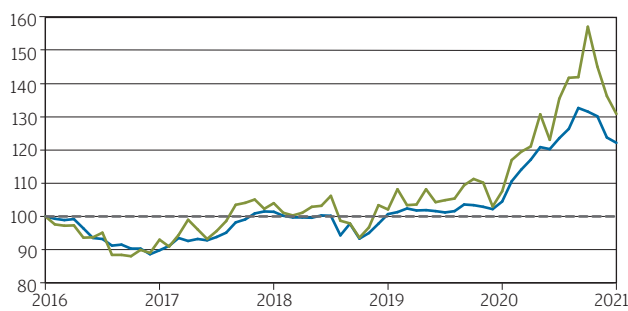
companies. Positive absolute returns are an essential prerequisite for achieving this objective.

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

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

Performance Relative to Benchmark Index

FIGURES HAVE BEEN REBASED TO 100 AT 31ST MARCH 2016

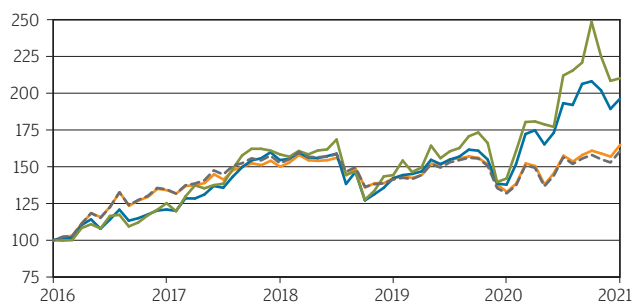


Source: Morningstar (total return).

- JPMorgan Japan Small Cap Growth & Income - share price.
- JPMorgan Japan Small Cap Growth & Income - diluted cum income net asset value per share.
- The benchmark is represented by the grey horizontal line.

Five Year Performance

FIGURES HAVE BEEN REBASED TO 100 AS AT 31ST MARCH 2016



Source: Morningstar/Datastream (total return).

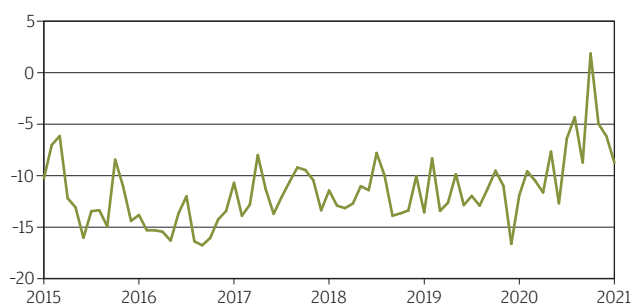
- JPMorgan Japan Small Cap Growth & Income - share price.
- JPMorgan Japan Small Cap Growth & Income - diluted cum income net asset value per share.
- Benchmark.
- MSCI Japan Small Cap NR (New benchmark from 1st April 2021).

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

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

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

Discount Performance



Source: Morningstar.

— JPMorgan Japan Small Cap Growth & Income - share price discount to diluted net asset value per share.

• Performance attribution

The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analysis for the year ended 31st March 2021 are given in the Investment Managers' Report on page 9.

• Ongoing charges

The ongoing charges represent the Company's management fee and all other operating expenses, excluding any finance costs, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ended 31st March 2021 were 1.02% (2020: 1.14%). Each year the Board reviews an analysis which shows a comparison of the Company's ongoing charges and its main expenses against those of its peers.

Share Capital

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

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

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

Resolutions to renew the authorities to issue new shares, reissue shares from Treasury for cash and to repurchase shares for cancellation or to be held in Treasury will be put to shareholders at the forthcoming Annual General Meeting. The full text of these Resolutions is set out in the Notice of Meeting on pages 83 and 84.

Board Diversity

When recruiting a new Director, the Board takes into account the benefits of diversity, including gender during the appointment

process. The Board remains committed to appointing the most appropriate individuals on merit. Diversity is important in bringing an appropriate range of skills and experience to the Board and the Board is diverse on the bases of race, gender and nationality. As at 31st March 2021, there were three male and two female Directors on the Board.

Employees, Social, Community, Environmental, Human Rights Issues and Greenhouse Gas Emissions

An increasingly broad spectrum of investors now rightly focus on 'ESG' issues for their portfolios. They want to know that their managers are aware of these issues, that they take them into account in building their portfolios and that they raise issues directly with investee companies. The Company is aware of the focus on these issues with the Managers and how they integrate them into their investment process.

Companies that address ESG issues and adopt sustainable business practices are better placed to maximise their performance and create enduring value for shareholders. Corporate governance issues have the most direct bearing on the risk/reward profile of the Company's portfolio; as such it is the area most integrated into the Manager's investment process. However, environmental concerns and social issues are highly relevant and the manager's focus is on engaging with the management of investee companies to ensure they are taking steps to lessen any negative environmental or social impacts of their business model. The Manager engages in meaningful interactions with investee companies through dedicated meetings and exercises the Company's proxy votes in a prudent and diligent manner in the interests of its shareholders. Also please refer to the Company's Corporate Governance and Voting Policy in the Directors Report on page 39 for further details on Proxy Voting and Stewardship/Engagement.

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 does not have a measurable 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. JPMorgan's statement on the MSA can be found on the following website: https://www.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/JPMC-Group-Statement-on-Modern-Slavery-FY2019_Final-w-signature.pdf

Corporate Criminal Offence

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

Principal and Emerging Risks

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

- **Operational and Cyber Crime**

Disruption to, or failure of, the Manager's accounting, dealing or payments systems or the depositary's or custodian's records could prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by the Manager and its associates and the key elements designed to provide effective internal control are included within the Risk Management and Internal Control section of the Corporate Governance report on pages 37 and 38.

The risk of fraud or other control failures or weaknesses within the Manager or other service providers could result in losses to the Company. The Audit Committee receives independently audited reports on the Manager's and other service providers' internal controls, as well as a report from the Manager's Compliance function. The Company's management agreement obliges the Manager to report on the detection of fraud relating to the Company's investments and the Company is afforded protection through its various contracts with suppliers, of which one of the key protections is the Depositary's indemnification for loss or misappropriation of the Company's assets held in custody.

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

- **Investment Underperformance and Strategy**

An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and regularly reported on by the Manager. The Manager provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses.

The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and reviews data which show statistical measures of the Company's risk profile. The Investment Managers employ the Company's gearing within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.

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

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

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

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. Throughout most of the year ended 31st March 2021, the Company's shares traded at a discount apart from the first week of 2021 when the shares traded at a premium. The Board monitors the Company's discount level and, although the rating largely depends upon the relative attractiveness of the portfolio, the Board may seek to address imbalances in the supply and demand of the Company's shares through a programme of share issuance and buybacks.

- **Political and Regulatory**

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

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

- **Financial**

The financial risks faced by the Company include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk, credit risk and the failure of any counterparty. Further details are disclosed in note 22 on pages 72 to 77.

- **Pandemic Risk**

COVID-19 has developed rapidly to become a pandemic which has delivered a major shock to the global economy and become a principal risk. The Company is exposed to the risk of market volatility and falling equity markets brought about by the pandemic. The resilience of the operational services provided to the Company could be reduced as a result of the effects of the pandemic, representing a risk to the Company. The Board regularly reviews the mitigation measures which JPMorgan Asset Management and other key service providers have in place to maintain operational resilience and is satisfied that these are appropriate even in the current conditions. Relevant business continuity plans have been invoked at those service providers and the Board has been given updates. Working from home arrangements have been implemented where appropriate and government guidance is being followed. The Board to date has not experienced nor does it anticipate a fall in the level of service or any disruption to the Company's operations.

The pandemic triggered sharp falls in global stock markets and created uncertainty around future returns. Whilst the Board notes the initial fall in the Company's NAV per share and share price at the start of the financial year, it also notes that the Manager's investment process is unaffected by the COVID-19 pandemic and that it continues to focus on long-term company fundamentals and detailed analysis of current and future investments. At the time of writing the pandemic continues to have severe impacts around the world and therefore the Board continues to closely monitor these impacts and their risks to the company.

Emerging Risks

The Board has considered and kept under review emerging risks, including but not limited to the impact of climate change, natural disasters and social dislocation and conflict. Climate change, which barely registered with investors a decade ago, has today become one of the most critical issues confronting asset managers and their investors. Investors can no longer ignore the impact that the world's changing climate will have on their portfolios, with the impact of climate change on returns now potentially significant. However, the transition to a low-carbon economy across the globe may also provide attractive investment opportunities. 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. The Board also considers the threat posed by the direct impact of climate change and extreme weather events on the operations of the Manager and other major service providers.

Long Term Viability

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

The Company's current position and prospects are set out in the Chairman's Report, the Investment Managers' Report and the Strategic Report. The principal and emerging risks are set out on pages 26 and 27.

The Company is an investment trust that has been in existence for more than 20 years, having invested through many difficult economic and market cycles, including the current COVID-19 crisis. Its objective is to achieve long-term capital growth through investment in small-sized and medium-sized Japanese companies. The Board has taken account of the Company's current position, the principal and emerging risks that it faces, including climate change and the COVID-19 pandemic and their potential impact on its future development and prospects, and the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience and business continuity. Equity markets across the world initially fell significantly due primarily to concerns around the scale of the pandemic's impact on the global economy. Although the total cost of COVID-19 is currently hard to predict with any certainty, the Board does not believe that it calls into question the long term viability of the Company, particularly as the Company has no loan covenants or liabilities that cannot be readily met. As an investment company with a relatively liquid equity portfolio being capable of being realised fairly quickly and largely fixed ongoing charges which equate to a very small proportion of net assets, it should easily be able to meet its ongoing operating costs as they fall due. The Directors have assessed the prospects of the Company, to the extent that they are able to do so, over the next three years. They have made that assessment by considering the principal and emerging risks, the Company's investment objective and strategy, the investment capabilities of the Manager and the current outlook for the Japanese economy and equity market.

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

The Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of assessment.

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

22nd June 2021

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 parties are treated fairly and with respect and the Board recognises the importance of keeping the interests of the Company's stakeholders, and of acting fairly between them, 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, 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 apprised of shareholder views and how it engages with all shareholder groups can be found on page 37.

Manager

The principal supplier is the Manager, in particular the investment management team who are 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 Manager's investment management function is fundamental to the long term success of the Company through the pursuit of the investment objective. 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. 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 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 page 17). The Board monitors investments made and divested and questions the Manager's rationale for exposures taken and voting decisions made.

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 consider 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 14 and 15.

The Directors confirm that they have considered their duty under Section 172 when making decisions during the financial year under review. Some of the 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's revised dividend policy has now been in place for three years. It aims to pay, in the absence of unforeseen circumstances, a regular quarterly dividend equal to 1% of the Company's NAV on the last business day of the preceding financial quarter, being the end of March, June, September and December. Over the year this would approximate to 4% of the average NAV. This dividend is paid from a combination of the revenue, capital and other reserves. In respect of the year to 31st March 2021, quarterly dividends totalling 21.9p (2020: 17.7p) per share were declared.

Name and Ticker Change

Reflecting the now established dividend policy, the Company changed its name to JPMorgan Japan Small Cap Growth & Income plc effective from 16th December 2020. During the process, the Board consulted with the Company's Brokers and the Manager, drawing on their previous experiences to understand investors' sentiment and potential benefits of the name change. Following the change of name, the Company changed its London Stock Exchange stock ticker symbol (TIDM) from JPS to JSGL on 17th December 2020.

Benchmark Index Change

The Company's benchmark was the S&P Japan SmallCap Net Return Index (in sterling terms) up to 31st March 2021. Comparison of the Company's performance is made with the benchmark as stated, although investors should note that there is no recognised benchmark that closely reflects the Company's stated investment policy. With effect from 1st April 2021, the benchmark has been changed to the MSCI Japan Small Cap Index (in sterling terms) which has very similar long term performance but is more widely recognised.

Managing the Company's Discount

One of the objectives of the Company's revised dividend policy was to enhance the Company's appeal to a broader audience of investors. Since its introduction, we note some narrowing of the Company's discount to NAV, driven by new demand and positive press commentary. Over the period, the Company's discount narrowed from 11.9% to 8.7%. The Company did not repurchase any shares during the year. However, the Board continues to monitor the discount closely with its advisers and is prepared to repurchase shares when it feels that it is appropriate, taking into account market conditions. To ensure that the Board continue to have the power to manage the Company's discount and issue shares in the Company, they recommend that shareholders vote in favour of the resolutions to renew the allotment and buy back authorities at the Company's Annual General Meeting.

Broker Change

Following a change of corporate structure and personnel at the Company's previous Corporate Broker, the Board conducted a review of broking services, inviting a number of firms to present their proposals for the Company. It was concluded that Cenkos Securities was best able to assist and advise in trading in the Company's shares, and in promoting the success of the Company to existing and new Shareholders.

Other Actions that Continue to Promote the Success of the Company

In addition, the Directors have kept under review the competitiveness of the management fee and 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 to raise the Company's awareness.

Furthermore, throughout the course of the COVID-19 pandemic the Board has been in regular contact with the Manager, receiving frequent 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
Divya Amin, for and on behalf of
JPMorgan Funds Limited, Secretary.

22nd June 2021

Directors' Report



Alexa Henderson*‡ (Chairman of the Board of Directors)

A Director since 2016.

Last reappointed to the Board: 2020.

Alexa Henderson is a Non-Executive Director of Standard Life UK Smaller Companies Trust plc, BMO Real Estates Investments Ltd and Bravura Solutions Limited. She is a member of the Institute of Chartered Accountants of Scotland.

Shared directorships with other Directors: None.

Shareholding in Company: 5,275 (5,334 since the year-end).



Deborah Guthrie*‡

A Director since 2015.

Last reappointed to the Board: 2020.

Deborah Guthrie is an experienced Japanese equity research sales specialist with Pelham Smithers Associates. She began her career working in the Finance and Environment Branches of the Hong Kong Government. Between 1984 and 1995 she held senior Japanese equity sales roles for Hoare Govett and Smith New Court before joining Merrill Lynch as director, yen equity sales, a role she held from 1995 to 2011. Deborah is a Non-Executive Director of Aberdeen Standard Asia Focus PLC.

Shared directorships with other Directors: None.

Shareholding in Company: 14,610.



Tom Walker*‡ (Chairman of the Audit Committee)

A Director since 2019.

Last appointed to the Board: 2020.

Mr Walker was a portfolio manager at Martin Currie Investment Management Limited where latterly he headed up their Global Long Term Unconstrained equity team. Mr Walker qualified as a chartered accountant with Thomson McLintock, now KPMG, then moved into investment management with Edinburgh Fund Managers and subsequently worked in Hong Kong with Baring Asset Management before joining Martin Currie. Mr Walker holds an MA in Law from Cambridge University. He is a Non-Executive Director of EP Global Opportunities Trust plc and Lowland Investment Company PLC.

Shared directorships with other Directors: None.

Shareholding in Company: 5,000 (11,000 since the year-end).



Martin Shenfield*‡

A Director since 2019.

Last appointed to the Board: 2020.

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

Shared directorships with other Directors: None.

Shareholding in Company: 8,000.



Yuuichiro Nakajima*‡

A Director since 2014.

Last reappointed to the Board: 2020.

Yuuichiro Nakajima is founder and Managing Director of Crimson Phoenix, a specialist cross-border M&A advisory firm, providing advice on Japan-related transactions and a range of corporate strategy initiatives from offices in Tokyo, London and Frankfurt. A former member of the Executive Board of the British Chamber of Commerce in Japan and of the Council of the Japanese Chamber of Commerce and Industry in the UK, Yuuichiro spent ten years with S.G. Warburg (later SBC Warburg) and four years with PricewaterhouseCoopers, amongst other firms.

Shared directorships with other Directors: None.

Shareholding in Company: 5,471.

* Member of the Audit Committee.

‡ Member of the Nomination Committee.

The Directors present their report and the audited financial statements for the year ended 31st March 2021.

Management of the Company

The Manager of and Company Secretary to the Company is JPMF. Active management of the Company's assets is delegated to JPMAM Japan through JPMAM UK. The Manager and Company Secretary are employed under a contract terminable on six months' notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

The Manager is a wholly owned subsidiary of JPMorgan Chase Bank which, through other subsidiaries, also provides accounting, banking, dealing and custodian services to the Company.

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

The Board conducts a formal evaluation of the performance of, and contractual relationship with, the Manager on an annual basis. Part of this evaluation includes a consideration of the management fees and whether the service received represents value for money for shareholders. No separate Management Engagement Committee has been established because all Directors are considered to be independent of the Manager and, given the nature of the Company's business, it is felt that all Directors should take part in the review process. The Board has thoroughly reviewed the performance of the Manager during the course of the year. The review covered the performance over the long term of the Manager, its management processes, consideration of the investment strategy, resources and risk controls and the quality of support that the Company received, including the marketing support provided. The evaluation was carried out in February 2021. As a result of that process, the Board confirms that it is satisfied that the continuing appointment of the Manager and the Company Secretary is in the interests of shareholders as a whole.

The Alternative Investment Fund Managers Directive ('AIFMD')

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

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website at www.jpmmjapan-smallcap-growth-and-income.co.uk. There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

JPMF's remuneration disclosures are set out on pages 80 and 81.

Management Fee

With effect from 1st April 2020, the investment management fee has been charged at the rate of 1% per annum on the net asset value of the Company's portfolio up to £150 million and at the rate of 0.75% per annum on any amount in excess thereof.

The fee is calculated and paid monthly.

Directors

The Directors of the Company who held office at the year end are detailed on page 31. Details of their beneficial shareholdings may be found in the Directors' Remuneration Report on page 44.

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.

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

Director Indemnification and Insurance

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

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

Disclosure of Information to Auditors

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

- (a) so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's Auditor is unaware, and
- (b) each of the Directors has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information (as defined) and to establish that the Company's Auditor is aware of that information.

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

Independent Auditor

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

Capital Structure and Voting Rights

Capital Structure

At 31st March 2021, the Company's share capital comprised 55,944,560 Ordinary shares of 10p each, of which 1,434,221 were held in Treasury. The Ordinary shares have a premium listing on the London Stock Exchange.

Voting Rights in the Company's Shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of Meeting on page 85.

Notifiable Interests in the Company's Voting Rights

As at 31st March 2021, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of voting rights	% voting rights ¹
Lazard Asset Management	9,179,471	16.84
Wells Capital	7,093,741	13.01
City of London Investment Management	5,431,069	9.96
Derbyshire County Council	2,152,500	3.95
1607 Capital Partners	2,480,344	4.55

¹ At the time of announcement.

Since the year end, Wells Capital has declared its updated notifiable interest of 7,054,704 (12.94%) voting rights and Lazard Asset Management has declared its updated notifiable interest of 8,707,969 (15.98%) voting rights. No other changes have been notified.

Miscellaneous Information

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

Information about the Company's financial instruments, the risk management objectives and the policies arising from them and the exposure of the Company to risk are disclosed in note 22 on pages 72 to 77.

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

Regarding future developments of the Company, the outlook for the next 12 months is set out in the Chairman's Statement on page 8 and the Investment Managers' Report on pages 12 and 13.

Listing Rule 9.8.4R

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

Annual General Meeting

The notice convening the Annual General Meeting of the Company to be held on 28th July 2021 is given on pages 83 to 86. The full text of the Resolutions is set out in the notice of meeting. Among the Resolutions being proposed are the following:

(i) Dividend policy (Resolution 4)

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

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

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

The Directors will seek renewal of the authority at the Annual General Meeting to issue new Ordinary shares for cash, or reissue Ordinary shares from Treasury, up to an aggregate nominal amount of £545,103, such amount being equivalent to

approximately 10% of the present issued Ordinary share capital (excluding Treasury shares) as at the last practicable date before the publication of this document or, if different, the number of Ordinary shares which is equal to 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 of the Company in 2022 unless renewed at a prior general meeting.

Resolution 12 will enable the allotment of Ordinary shares otherwise than by way of a pro rata issue to existing shareholders.

It is advantageous for the Company to be able to issue new Ordinary shares, or reissue Ordinary shares from Treasury, to investors purchasing shares when the Board considers it in the best interests of shareholders to do so. Any such issues would only be made at prices greater than the net asset value ('NAV'), per Ordinary share, thereby increasing the NAV per share and spreading the Company's administrative expenses, other than the management fee, which is charged on the value of the Company's gross assets, over a greater number of shares. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

(iii) Authority to repurchase the Company's shares (Resolution 13)

The authority to repurchase up to 14.99% of the Company's issued Ordinary shares, granted by shareholders at the 2020 Annual General Meeting, will expire on 27th January 2022 unless renewed at the forthcoming Annual General Meeting. The Directors consider that the renewal of this authority is in the interests of shareholders as a whole, as the repurchase of Ordinary shares at a discount to the underlying NAV enhances the NAV of the remaining Ordinary shares.

Resolution 13 gives the Company authority to repurchase its own issued Ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to a maximum of 8,171,099 of the Company's issued Ordinary shares (excluding Treasury shares) as at the latest practicable date before the publication of this document or, if different, the number of Ordinary shares which is equal to approximately 14.99% of the Company's issued Ordinary share capital (excluding Treasury shares) as at the date of the passing of the Resolution. The authority also sets minimum and maximum prices.

If Resolution 13 is passed at the Annual General Meeting, the Board may repurchase shares for cancellation or hold them in Treasury pursuant to the authority granted to it for possible reissue at a premium to NAV. Repurchases will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the

NAV of the remaining Ordinary shares. This authority will expire on 27th January 2023, or when the whole of the relevant 14.99% has been acquired, whichever is the earlier. However it is the Board's intention to seek renewal of the authority at the 2022 Annual General Meeting.

(iv) Adoption of new Articles of Association (Resolution 14)

Resolution 14, which will be proposed as a special resolution, seeks shareholder approval to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Existing Articles'). The proposed amendments being introduced in the New Articles primarily relate to changes in law and regulation and developments in market practice since the Existing Articles were adopted, and principally include provisions enabling the Company to hold wholly virtual shareholder meetings using electronic means (as well as physical shareholder meetings or hybrid meetings). The amendments reflect current best practice and are intended to relieve certain administrative burdens on the Company.

A summary of the principal amendments being introduced in the New Articles is set out in the appendix to the AGM Notice (on page 86 of this document). Other amendments, which are of a minor, technical or clarifying nature, have not been summarised in the appendix.

Whilst the proposed New Articles would permit shareholder meetings to be conducted using electronic means, the Board has no intention of holding a virtual-only meeting if it can be reasonably avoided. The Board is committed to ensuring that future general meetings (including AGMs) incorporate a physical meeting when law and regulation permits and where shareholders can meet with the Board face to face. The potential to hold a general meeting through wholly electronic means is intended as a solution to be adopted as a contingency to ensure the continued smooth operation of the Company in extreme operating circumstances where physical meetings are prohibited or cannot reasonably be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

A copy of the New Articles, together with a copy showing all of the proposed changes to the Existing Articles, will be available for inspection on the Company's website, www.jpjapanmallcapgrowthandincome.co.uk and at the offices of JPMorgan Funds Limited, 60 Victoria Embankment, London EC4Y 0JP between the hours of 9.00 a.m. and 5.00 p.m. (Saturdays, Sundays and public holidays excepted), from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

Recommendation

The Board considers that the Resolutions to be proposed at the AGM are likely to promote the success, of the Company, and are

in the best interests, of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the Resolutions as they intend to do, where voting rights are exercisable, in respect of their own beneficial holdings which, as at the date of this report, amounted in aggregate to 44,415 Ordinary shares with voting rights representing approximately 0.1% of the voting rights of the Company.

Corporate Governance Statement

Compliance

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

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

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

Role of the Board

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

At each Board meeting, Directors' interests are considered. These are reviewed carefully, taking into account the circumstances

surrounding them, and, if considered appropriate, are approved. It was resolved that there were no actual or indirect interests of a Director which conflicted with the interests of the Company which arose during the year.

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

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

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

Board Composition

The Board, chaired by Alexa Henderson, comprises five non-executive Directors, all of whom, including the Chairman, are regarded by the Board as independent of the Manager. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 31.

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

Reappointment of Directors

The Directors of the Company and their brief biographical details are set out on page 31. The skills and experience that each Director brings to the Board, and hence why their contributions are important to the long term success of the Company, are summarised below. All of the Directors held office throughout the year under review and will stand for reappointment at the forthcoming AGM.

Resolution 5 is for the reappointment of Alexa Henderson, who joined the Board in April 2016. Alexa is a qualified chartered accountant. She is also on the board of BMO Real Estate

Investments Ltd., Standard Life UK Smaller Cos. Trust Plc and Bravura Solutions Ltd. Alexa was formerly a Managing Director of the WM company.

Resolution 6 is for the reappointment of Yuuichiro Nakajima, who joined the Board in April 2014. Yuuichiro has over 30 years of corporate finance experience and has, over the last 18 years, been managing a M&A and strategic advisory firm specialising in Japan-related cross-border transactions. Having spent nearly half of his working life in Japan and the other half in the UK, Yuuichiro is well-versed in Japanese and British business, finance and corporate governance practices.

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

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

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

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be reappointed by shareholders. Thereafter, a Director's appointment is subject to a performance evaluation carried out each year and the approval of shareholders at each Annual General Meeting, in accordance with corporate governance best practice. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the requirements of the UK Corporate Governance Code and the AIC Code, including the need to refresh the Board and its Committees periodically. The tenure of each independent, non-executive director, including the Chairman, is not ordinarily expected to exceed nine years, unless there are exceptional circumstances to do so.

In accordance with corporate governance best practice, all Directors will seek annual reappointment. The Board

recommends to Shareholders that all Directors be reappointed. The Company has a succession policy and plan in place.

The table below details the tenure of Directors as at the forthcoming Annual General Meeting and projected forward to 2028. The average tenure of a Director is fewer than six years.

	2021	2022	2023	2024	2025	2026	2027	2028
Yuuichiro Nakajima	0-6 years	7-8 years	9+ years	9+ years	9+ years	9+ years	9+ years	9+ years
Deborah Guthrie	0-6 years	7-8 years	9+ years	9+ years	9+ years	9+ years	9+ years	9+ years
Alexa Henderson	0-6 years	0-6 years	7-8 years	7-8 years	9+ years	9+ years	9+ years	9+ years
Thomas Walker	0-6 years	0-6 years	0-6 years	0-6 years	0-6 years	7-8 years	7-8 years	9+ years
Martin Shenfield	0-6 years	0-6 years	0-6 years	0-6 years	0-6 years	7-8 years	7-8 years	9+ years

Key - Tenure

0 - 6 years 7 - 8 years 9+ years

Please note that the above table is a guide only and does not account for retirements of current Directors nor the appointment of new Directors.

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

Meetings and Committees

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

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

Meetings Attended

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

Board Committees**Nomination Committee**

The Nomination Committee, chaired by Alexa Henderson, comprises all of the Directors, and meets at least annually to ensure that the Board has an appropriate balance of skills and experience to carry out its fiduciary duties and to select and propose suitable candidates for appointment when necessary. A variety of sources, including external search consultants, may be used to ensure that a wide range of candidates is considered.

The Board's policy on diversity, including gender, is to take full account of the benefits of these during the appointment process. However, the Board remains committed to appointing the most appropriate candidate and seeks to ensure that it does not unwittingly exclude any group.

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

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

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

Audit Committee

The report of the Audit Committee is set out on pages 40 and 41.

Terms of Reference

The Nomination Committee and the Audit Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available on the Company's

website and for inspection on request at the Company's registered office and at the Company's Annual General Meeting.

Relations with Shareholders

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

Normally, all shareholders are encouraged to attend the Company's Annual General Meeting at which the Directors and representatives of the Managers are available in person to meet with shareholders and answer their questions. In addition, a presentation is given by the Investment Managers who review the Company's performance. However, this year the COVID-19 pandemic legislation has made it necessary to amend arrangements for the Company's 2021 Annual General Meeting. Please see the Chairman's Statement for further details.

During the year, the Company's brokers, the Investment Managers and JPMF hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to support these meetings and to address shareholder queries and consult major shareholders on an annual basis. The Directors may be contacted through the Company Secretary whose details are shown on page 91. Questions can also be raised through the link on the Company's website www.jpmmjapangrowthandincome.co.uk.

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

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

Risk Management and Internal Control

The UK Corporate Governance Code requires the Directors to monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness, and report on that review in the annual report. This encompasses a review of all controls, which the Board has identified as including business, financial, operational, compliance and risk management.

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

Since investment management, custody of assets and all administrative services are provided to the Company by the Manager and its associates, the Company's system of risk management and internal controls mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal and Emerging Risks on pages 26 and 27). This process has been in place for the year under review and up to the date of the approval of the Annual Report and Financial Statements and it accords with the Financial Reporting Council's guidance.

Given the foregoing, and in common with most investment trust companies, the Company does not have an internal audit function of its own. The Manager's internal audit department conducts regular and rigorous reviews of the various functions within its asset management business. Any significant findings that are relevant to the Company and/or the Manager's investment trust business are reported to the Board.

The principal elements designed to provide effective internal controls are as follows:

- **Financial Reporting**

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

- **Management**

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

- **Management Systems**

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

- **Investment Strategy**

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

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

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

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal controls for the year ended 31st March 2021 and to the date of approval of this Annual Report and Financial Statements.

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

Corporate Governance and Voting Policy

The Company delegates responsibility for voting to the Manager. The following is a summary of the policy statements of JPMAM UK on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on employees, social, community, environmental, human rights issues and greenhouse gas emissions are included in the Strategic Report on page 25.

Corporate Governance

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

Proxy Voting

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

Stewardship/Engagement

JPMAM UK recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, we support the introduction of the FRC Stewardship Code 2020, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

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

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

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

Japanese Stewardship and Corporate Governance Codes

The Japanese Stewardship Code was introduced in February 2014 (and revised in March 2020). Asset owners and institutional investors are expected to engage in constructive dialogue with investee companies to enhance corporate value.

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

A Corporate Governance Code was introduced in June 2015 (and revised in June 2018). Reforms to the Japanese Companies Act are also due to be implemented from June 2021 through to June 2023. The Japanese Government's focus on corporate governance is part of its efforts to revitalise the Japanese economy and improve corporate profitability.

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

22nd June 2021

Audit Committee Report

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

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

Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st March 2021, the Committee considered the following significant issues, including those communicated by the Auditor during its reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	In accordance with the accounting policies, disclosed in note 1(b) to the financial statements on page 62. Controls were in place to ensure that valuations were appropriate and existence was verified through the Depositary and the Custodian reconciliations. The Board and the Committee monitors controls and significant movements in the underlying portfolio by reviewing reports regularly in Board and Committee Meetings.
Recognition and completeness of investment income	The recognition of investment income was undertaken in accordance with accounting policy note 1(d) to the financial statements on page 62. The Board and the Committee regularly reviewed subjective elements of income such as special dividends and agreed their accounting treatment.
Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st April 2012 was obtained and ongoing compliance with the eligibility criteria was monitored on a regular basis.

The Board is required to be made fully aware of any significant financial reporting issues and judgements made in connection with the preparation of the financial statements, of which there were none applied to this set of financial statements.

Going Concern

The Directors believe that, having considered the Company's investment objective (see inside front cover), risk management policies (see pages 72 to 77), liquidity risk, capital management policies and procedures (see pages 77 and 78), the nature of the portfolio and expenditure and cashflow projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements. They have not identified any material uncertainties to the Company's ability to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements.

Having taken all available information into consideration and having discussed the contents of the Annual Report and Financial Statements with the AIFM, the Investment Managers, the Company Secretary and other third party service providers, the Committee has concluded that the Annual Report for the year ended 31st March 2021, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 46.

Risk Management and Internal control

The Committee examines the effectiveness of the Company's internal controls systems and receives information from the Managers' Compliance department. The Directors' statement on the Company's system of risk management and internal controls is set out on pages 37 and 38.

The Committee also reviews the scope and results of the external audit, its effectiveness and cost effectiveness, the balance of audit and non-audit services and the independence and objectivity of the external Auditor. In the Directors' opinion the Auditor is independent.

The Directors' statement on the Company's system of internal control is set out on page 38.

Auditor Appointment and Tenure

The Committee also has a primary responsibility for making recommendations to the Board on the reappointment and removal of the external Auditor. Representatives of the Company's Auditor attend the Committee meeting at which the draft Annual Report and Financial Statements are considered and also engage with the Directors as and when required. Having reviewed the performance of the external Auditor, including assessing the quality of work, timing of communications and work with the Manager, the Committee considered it appropriate to recommend the Auditor's reappointment. The Board supported this recommendation and a resolution proposing its reappointment will be put to shareholders at the forthcoming Annual General Meeting.

As part of its review of the continuing appointment of the Auditor, the Committee considered the length of tenure of the audit firm, its fee, its independence from JPMF and the Investment Managers and any matters raised during the audit. A formal tender exercise was undertaken in 2014, as a result of which Grant Thornton UK LLP was appointed. Julian Bartlett served as the Audit Partner responsible for the Company's Audit in 2015 and 2016. Marcus Swales replaced Julian Bartlett as Audit Partner in late 2016. The Company's year ended 31st March 2021 is therefore Marcus' final of a five year maximum term. On reaching the ten year mark in 2024, the Company will be required to hold a tender where the incumbent auditor may be reappointed for a further ten year term. At the end of a second ten year term (i.e. when an auditor has been in place for 20 years) a tender must be held again and a new auditor appointed. Details of the fees paid for audit services are included in note 6 on page 65.

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

Fair, Balanced and Understandable

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31st March 2021, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 46.

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

22nd June 2021

The Board presents the Directors' Remuneration Report for the year ended 31st March 2021, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 as amended.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in its report on pages 48 to 57.

As all of the Directors are non-executive, the Board has not established a Remuneration Committee. Instead, the Nomination Committee reviews Directors' fees on a regular basis and makes recommendations to the Board as and when appropriate.

Directors' Remuneration Policy

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

The Board's policy for this and subsequent years is that Directors' fees should properly reflect the time spent by the Directors on the Company's business and should be at a level to ensure that candidates of a high calibre are recruited to the Board and retained. The Chairman of the Board and the Chairman of the Audit Committee are paid higher fees than the other Directors, reflecting the greater time commitments and responsibilities involved in fulfilling those roles.

Reviews are based on information provided by the Manager and industry research carried out by third parties on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally. The involvement of remuneration consultants has not been deemed necessary as part of this review. The Company has no Chief Executive Officer and no employees and therefore no consultation of employees is required and there is no employee comparative data to provide in relation to the setting of the remuneration policy for Directors.

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

In the year under review, Directors' fees were paid at the following annual rates: Chairman £37,500; Chairman of the Audit Committee £30,000; and other Directors £25,000. With effect from 1st April 2021, Directors' annual fees have been revised to the following annual rates: Chairman £38,500; Chairman of the Audit Committee £31,000; and, other Directors £26,000.

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

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

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's Annual General Meeting and the Company's registered office. Details of the Board's policy on tenure are set out on page 36.

Directors' Remuneration Policy Implementation

The Directors' Remuneration Report, which includes details of the Directors' remuneration policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming Annual General Meeting. There have been no changes to the policy compared with the year ended 31st March 2020 and no changes are proposed for the year ending 31st March 2022.

At the Annual General Meeting held on 28th July 2020, of votes cast in respect of the Remuneration Policy, 99.94% of votes cast were in favour (or granted discretion to the Chairman who voted in favour) and 0.06% voted against. Abstentions were received from less than 0.01% of the votes cast. In respect of the Remuneration Report 99.94% of votes cast were in favour (or granted discretion to the Chairman who voted in favour) and 0.06% voted against. Abstentions were received from less than 0.01% of the votes cast.

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

Single Total Figure of Remuneration

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

DIRECTORS' REMUNERATION REPORT

Single Total Figure Table¹

Directors' Name	2021 Taxable		Total	2020 Taxable		Total
	Fees expenses ² £	£		Fees expenses ² £	£	
Deborah Guthrie	25,000	–	25,000	25,000	–	25,000
Alexa Henderson ³	37,500	–	37,500	35,088	1,819	36,907
Yuuichiro Nakajima	25,000	–	25,000	25,000	161	25,161
Martin Shenfield ⁴	25,000	–	25,000	16,870	–	16,870
Thomas Walker ⁵	30,000	–	30,000	20,245	1,013	21,258
Robert White ⁶	–	–	–	12,330	182	12,512
Total	142,500	–	142,500	134,534	3,175	137,708

¹ Audited information. Other subject headings for the single figure table as prescribed by regulation are not included because there is nothing to disclose in relation thereto. A total amount of £9,601 (2020: £11,255) was paid on National Insurance.

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

³ Appointed Chairman 29th July 2019.

⁴ Appointed 29th July 2019.

⁵ Appointed 29th July 2019 and assumed role of Audit Committee Chairman.

⁶ Appointed Chairman 31st July 2018. Retired 29th July 2019.

A table showing the total remuneration for the Chairman over the five years ended 31st March 2021 is below:

Remuneration for the Chairman over the Five Years Ended 31st March 2021

Year ended 31st March	Fees
2021	£37,500
2020	£37,500
2019	£36,000
2018	£35,000
2017	£32,000

Directors' Shareholdings¹

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

Directors' Name	31st March 2021	31st March 2020 or as at date of appointment
Ordinary shares held		
Deborah Guthrie	14,610	14,610
Alexa Henderson	5,275	5,110
Yuuichiro Nakajima	5,471	5,000
Thomas Walker	5,000	5,000
Martin Shenfield	8,000	8,000

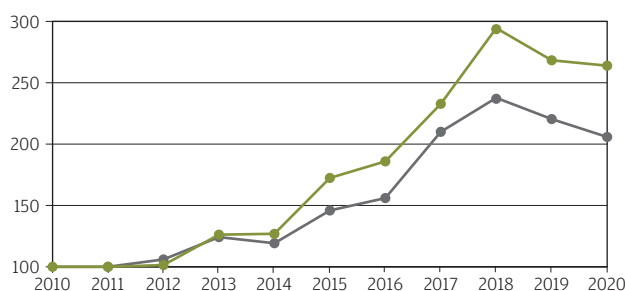
¹ Audited information.

Since the year-end, Alexa Henderson's shareholding has increased to 5,334 and Thomas Walker's shareholding has increased to 11,000.

The Directors have no other share interests or share options in the Company and no share schemes are available.

In accordance with the Companies Act 2006, a graph showing the Company's share price total return compared with its benchmark, the S&P Japan SmallCap (in sterling terms), over the last ten years is shown below. Because this Index was the adopted benchmark for the Company up to 31st March 2021, it was deemed by the Board to be the most representative comparator. With effect from 1st April 2021, the benchmark has been changed to the MSCI Japan Small Cap Index (in sterling terms) which has a very similar long term performance but is more widely recognised. Although the Investment Managers do not track this Index, and there is no formal benchmark that closely reflects the Company's stated investment policy, this is the nearest match available.

Ten Year Ordinary Share Price and Benchmark Total Return to 31st March 2021 (rebased)



Source: Morningstar/Datastream.

— Share price.
— Benchmark.

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

Expenditure by the Company on Remuneration and Distributions to Shareholders

	Year ended 31st March	
	2021	2020
Remuneration paid to all Directors	142,500	134,534
Taxable expenses paid to Directors	–	3,175
Distribution to shareholders		
– by way of dividend	11,120,000	9,811,000
– by way of share repurchases	–	–

For and on behalf of the Board
Deborah Guthrie
Director

22nd June 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

and the Directors confirm that they have done so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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

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

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

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

- the Company's financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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

For and on behalf of the Board
Deborah Guthrie
Director

22nd June 2021

Independent auditor's report to the members of JPMorgan Japan Small Cap Growth & Income plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of JPMorgan Japan Small Cap Growth & Income plc (the 'Company') for the year ended 31st March 2021, which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st March 2021 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and our results arising with respect to that evaluation is included in the key audit matters section of our report.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as COVID-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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 12 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.

In relation to the Company's reporting on how it has 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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit




Overview of our audit approach

Overall materiality: £2,998,000 which represents 1% of the Company's net assets.

Key audit matters were identified as

- Valuation and existence of investments (same as previous year);
- Occurrence, accuracy and completeness of investment income (same as previous year); and
- Going concern in relation to COVID-19 (same as previous year).

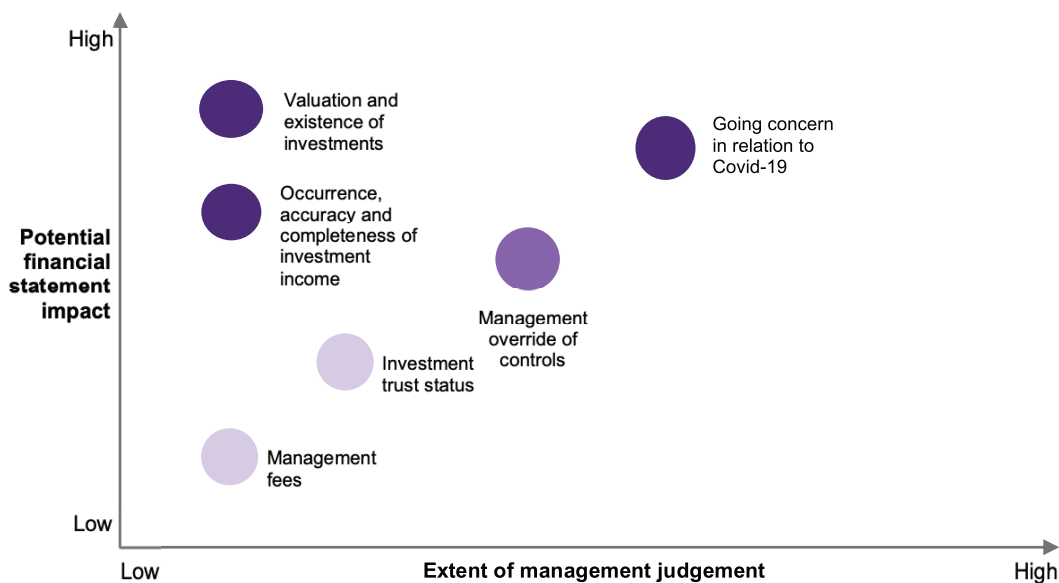
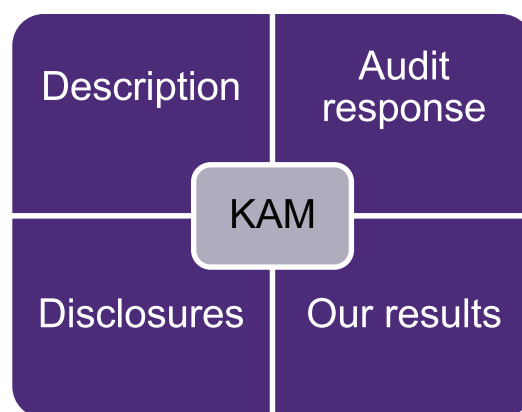
Our auditor's report for the year ended 31st March 2020 included no key audit matters that have not been reported as key audit matters in our current year's report.

Our audit approach was a risk-based substantive audit focused on the investment portfolio, investment income and going concern in relation to COVID-19 of the Company. There was no change in our audit approach from the prior year.

Key audit matters

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

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



●	Key audit matter	●	Significant risk	●	Other risk
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Key Audit Matter

Valuation and existence of investments

We identified valuation and existence of investments as one of the most significant assessed risks of material misstatement due to both fraud and error.

The Company's business objective is investing in Japanese smaller companies to achieve capital growth and income. The investment portfolio at £324 million (2020: £235 million) is a significant, material balance in the statement of financial position at the year-end and the main driver of the Company's performance. Investments might not be properly valued or might not exist or be owned by the Company.

How our scope addressed the matter

In responding to the key audit matter, we performed the following audit procedures:

- Assessing whether the Company's accounting policy for the valuation of investments is in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trust' (the 'SORP') and testing whether management have accounted for investments in accordance with that policy;
- Updating our understanding of the system of internal control applied, assessing the design and implementation of controls so that we gain assurance that investments are properly valued and exist;
- Testing the existence of investments by agreeing 100% of the holdings listed in the portfolio at the year-end to an independent confirmation we received directly from the Company's custodian;
- Checking the pricing of 100% of the listed equity portfolio by obtaining the bid prices from independent market sources and calculating the total valuation based on the Company's investment holdings, which was agreed to the Company's records maintained by the administrator; and
- Extracting a report of trading volumes in the five trading days before and after the year-end from an independent market source for all of the equity investments held at the year-end to test that investments are actively traded.

Relevant disclosures in the Annual Report & Financial Statements 2021

- Financial statements: Note 1(b), Valuation of investments;
- Financial statements: Note 11, Investments; and
- Audit Committee report: Financial Statements and Significant Accounting Matters.

Our results

Our audit work did not identify any material misstatements concerning the valuation and existence of investments.

Key Audit Matter**Occurrence, accuracy and completeness of investment income**

We identified occurrence, accuracy and completeness of investment income as one of the most significant assessed risks of material misstatement due to fraud.

Investment income is the Company's major source of revenue and a significant material balance in the Statement of Comprehensive Income. Investment income might be incomplete, may not occur or might be inaccurate. Under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumption that there are risks of fraud in revenue recognition. We have maintained the presumed risk of fraud in revenue recognition.

Relevant disclosures in the Annual Report & Financial Statements 2021

- Financial statements: Note 1(d), Income;
- Financial statements: Note 4, Income; and
- Audit Committee report: Financial Statements and Significant Accounting Matters.

How our scope addressed the matter

In responding to the key audit matter, we performed the following audit procedures:

- Assessing whether the Company's accounting policy for revenue recognition is in accordance with United Kingdom Generally Accepted Accounting Practice and the SORP;
- Obtaining an understanding of the Company's process for recognising revenue in accordance with the Company's stated accounting policy;
- Selecting a sample of quoted investments and agreeing the investment income receivable for those quoted equities to the Company's records maintained by the administrator. For the selected investments, we also obtained the respective dividend rate entitlements from independent sources and checked against the amounts recorded in the Company's accounting records maintained by the administrator. In addition, we agreed the receipt of the dividend income to bank statements;
- Performing, on a sample basis, a search for special dividends on the equity investments held during the year to check whether dividend income attributable to those investments has been properly recognised. We checked the categorisation of special dividends as either revenue or capital receipts; and
- Testing that income recorded occurred by selecting a sample of dividend income recorded in the income ledger and agreeing the income receivable for those quoted equities to the respective dividend rate entitlements from independent sources and agreeing the investments held to Company's accounting records maintained by the administrator. In addition, we agreed the receipt of the dividend income recorded to bank statements.

Our results

Our audit work did not identify any material misstatements concerning the occurrence, accuracy and completeness of investment income.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

Going concern in relation to COVID-19

We identified going concern in relation to COVID-19 as one of the most significant assessed risks of material misstatement due to both fraud and error.

COVID-19 is amongst the most significant economic events currently faced by the UK and across the globe, and at the date of this report its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the Company and as such increases the extent of judgment and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements.

How our scope addressed the matter

In responding to the key audit matter, we performed the following audit procedures:

- Obtaining management's original cash flow forecasts and covenant calculations covering the period from June 2021 to June 2022;
- Assessing how these cash flow forecasts were compiled, including assessing the accuracy of management's forecasts by applying appropriate sensitivities to the underlying assumptions;
- Assessing the quality of management's forecasting by comparing the reliability of past forecasts to actual performance;
- Obtaining and challenging management's revised forecasts We evaluated the assumptions applied including the reduction in income. We considered whether the assumptions are consistent with our understanding of the business derived from other detailed audit work undertaken;
- Assessing the impact of the mitigating factors available to management in respect of the ability to restrict cash impact;
- Performing sensitivity analysis on the revised forecasts to determine the magnitude of the decline in the Net Return before Taxation that would give rise to elimination of the headroom in the cash flow forecasts; and
- Assessing the adequacy of related disclosures within the Annual Report & Financial Statements.

Relevant disclosures in the Annual Report & Financial Statements 2021

- Financial statements: Note 1(a), Basis of accounting; and
- Audit committee report: Going concern.

Our results

We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure

Company

Materiality for financial statements as a whole

We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.

Materiality threshold

£2,998,000, which is 1% of the Company's net assets.

Significant judgements made by auditor in determining the materiality

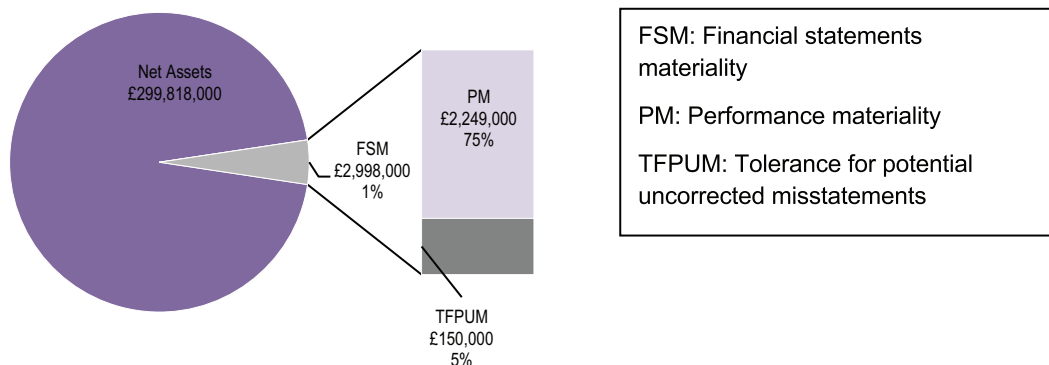
Net assets is considered the most appropriate benchmark because net assets, which is primarily composed of the Company's investment portfolio, is considered to be the key driver of the Company's total return performance and is of primary interest to the users of the financial statements.

Materiality for the current year is higher than the level that we determined for the year ended 31st March 2020 to reflect the increase in the Company's net assets.

Materiality measure	Company
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Performance materiality threshold	£2,249,000, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: <ul style="list-style-type: none"> • the engagement team's experience of the audit in previous years and the availability of pricing information, with all of the investments having a premium listing on the London Stock Exchange; • the internal controls framework at the service providers. The accounting function is outsourced to service providers. We obtained reports on the controls operated at the service providers and formed the view that there is a strong control environment; and • minimal issues identified in the past. There were no misstatements identified in the prior year.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
Specific materiality	We determined a lower level of specific materiality for the following areas: <ul style="list-style-type: none"> • Investment management fees; • Dividend income; and • Related party transactions, including directors' remuneration.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.
Threshold for communication	£150,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality



An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Company's business and in particular matters related to:

Understanding the Company and its environment, including controls

- We obtained an understanding of, and evaluated, relevant controls in place at both Company and the third-party service providers. This included an evaluation of the internal control reports prepared by a third-party auditor detailing the description and design effectiveness of internal controls implemented by the custodian and the administrator.

Work to be performed on financial information of the Company (including how it addressed the key audit matters)

- We undertook an audit of the financial information of the Company using financial statement materiality (full-scope audit);
- We performed a substantive audit which included obtaining direct confirmations on existence and valuation of the investments, and agreeing the investment income to an independent source, and to the bank, for occurrence, accuracy and completeness; and
- We identified valuation and existence of quoted investments, occurrence, accuracy and completeness of investment income and going concern in relation to COVID-19 as key audit matters and the procedures performed in respect of these have been included in the key audit matters section of our report.

Performance of our audit

- The audit team was able to complete the audit within the specified time frame given the restrictions being imposed and the implementation of remote working.

Changes in approach from previous period

- There have been no changes in the scope of the current year's audit from the scope of the audit in the prior year.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinions on other matters prescribed by the Companies Act 2006 are unmodified

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate governance statement

The Listing Rules require us to review the directors' statement 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 Statement specified for our review.

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 or our knowledge obtained during the audit:

- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- the directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions;
- the directors' statement that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal and emerging risks facing the Company including the impact of COVID-19 and the disclosures in the annual report that describe the principal risks, procedures to identify emerging risks and an explanation of how they are being managed or mitigated including the impact of COVID-19;
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls; and
- the section of the annual report describing the work of the audit committee, including significant issues that the audit committee considered relating to the financial statements and how these issues were addressed.

Responsibilities of 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 and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the industry in which it operates. We determined that the following laws and regulations were most significant: the Companies Act 2006, the UK Corporate Governance Code, the Association of Investment Companies' Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'AIC SORP') and the relevant provisions of HMRC's regulations applicable to an investment trust company. We enquired of management to obtain an understanding of how the Company is complying with those legal and regulatory frameworks and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the board minutes for the year. We did not identify any matters relating to non-compliance with laws and regulation or matters in relation to fraud;
- In assessing the potential risks of material misstatement, we obtained an understanding of the Company's operations, including the nature of its investments, its objectives and its strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- In assessing the appropriateness of the collective competence and capabilities of the engagement team to identify or recognise non-compliance with laws and regulations, the engagement partner considered the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation; and
 - knowledge of the industry in which the client operates.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. Audit procedures performed by the engagement team included:
 - identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud;
 - challenging assumptions and judgements made by management in its significant accounting estimates;
 - identifying and testing journal entries, in particular manual journal entries made at the year-end for financial statement preparation; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- Based on our audit work performed, we did not identify any material fraud.

Other matters which we are required to address

We were appointed by the Audit Committee in 2015 to audit the financial statements for the year ended 31st March 2015 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is seven years, covering the years ended 31st March 2015 to 31st March 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

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

22nd June 2021

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH 2021

	Notes	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	3	–	88,639	88,639	–	(4,853)	(4,853)
Net foreign currency gains/(losses)		–	3,334	3,334	–	(1,865)	(1,865)
Income from investments	4	3,526	–	3,526	3,836	–	3,836
Gross return/(loss)		3,526	91,973	95,499	3,836	(6,718)	(2,882)
Management fee	5	(2,478)	–	(2,478)	(2,257)	–	(2,257)
Other administrative expenses	6	(465)	–	(465)	(525)	–	(525)
Net return/(loss) before finance costs and taxation		583	91,973	92,556	1,054	(6,718)	(5,664)
Finance costs	7	(264)	–	(264)	(246)	–	(246)
Net return/(loss) before taxation		319	91,973	92,292	808	(6,718)	(5,910)
Taxation	8	(350)	–	(350)	(393)	–	(393)
Net (loss)/return after taxation		(31)	91,973	91,942	415	(6,718)	(6,303)
(Loss)/return per share (basic and diluted)	9	(0.06)p	168.73p	168.67p	0.76p	(12.32)p	(11.56)p

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

The 'Total' column of this statement is the statement of comprehensive income 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 (loss)/profit for the year and also Total Comprehensive Income.

The notes on pages 62 to 78 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve ^{1,2} £'000	Capital reserves ² £'000	Revenue reserve ² £'000	Total £'000
At 31st March 2019	5,595	33,978	1,836	303,766	(98,486)	(11,579)	235,110
Net (loss)/return	–	–	–	–	(6,718)	415	(6,303)
Dividends paid in the year (note 10)	–	–	–	(9,811)	–	–	(9,811)
At 31st March 2020	5,595	33,978	1,836	293,955	(105,204)	(11,164)	218,996
Net return/(loss)	–	–	–	–	91,973	(31)	91,942
Dividends paid in the year (note 10)	–	–	–	(11,120)	–	–	(11,120)
At 31st March 2021	5,595	33,978	1,836	282,835	(13,231)	(11,195)	299,818

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

² These reserves form the distributable reserves of the Company and may be used to fund distributions to investors via dividend payments.

The notes on pages 62 to 78 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AT 31ST MARCH 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Investments held at fair value through profit or loss	11	324,002	235,388
Current assets	12		
Debtors		1,568	2,028
Cash and cash equivalents		627	12,743
Creditors: amounts falling due within one year	13	2,195 (142)	14,771 (1,281)
Net current assets		2,053	13,490
Total assets less current liabilities		326,055	248,878
Creditors: amounts falling due after more than one year	14	(26,237)	(29,882)
Net assets		299,818	218,996
Capital and reserves			
Called up share capital	15	5,595	5,595
Share premium	16	33,978	33,978
Capital redemption reserve	16	1,836	1,836
Other reserve	16	282,835	293,955
Capital reserves	16	(13,231)	(105,204)
Revenue reserve	16	(11,195)	(11,164)
Total shareholders' funds		299,818	218,996
Net asset value per share	17	550.0p	401.8p

The financial statements on pages 59 to 78 were approved and authorised for issue by the Directors on 22nd June 2021 and were signed on their behalf by:

Deborah Guthrie

Director

The notes on pages 62 to 78 form an integral part of these financial statements.

Company registration number: 3916716.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH 2021

Notes	2021 £'000	2020 £'000
Net cash outflow from operations before dividends and interest	18 (3,262)	(2,769)
Dividends received	3,429	3,402
Interest paid	(260)	(241)
Net cash (outflow)/inflow from operating activities	(93)	392
Purchases of investments	(76,939)	(33,202)
Sales of investments	76,012	44,742
Settlement of foreign currency contracts	32	(54)
Net cash (outflow)/inflow from investing activities	(895)	11,486
Dividends paid	(11,120)	(9,811)
Net cash outflow from financing activities	(11,120)	(9,811)
(Decrease)/increase in cash and cash equivalents	(12,108)	2,067
Cash and cash equivalents at start of year	12,743	10,343
Exchange movements	(8)	333
Cash and cash equivalents at end of year	627	12,743
(Decrease)/increase in cash and cash equivalents	(12,108)	2,067
Cash and cash equivalents consist of:		
Cash and short term deposits	627	12,743
Total	627	12,743

The notes on pages 62 to 78 form an integral part of these financial statements.

RECONCILIATION OF NET DEBT

	As at 31st March 2020 £'000	Cash flows £'000	Exchange movement £'000	As at 31st March 2021 £'000
Cash and cash equivalents				
Cash	12,743	(12,108)	(8)	627
	12,743	(12,108)	(8)	627
Borrowings				
Debt due after one year	(29,882)	–	3,645	(26,237)
	(29,882)	–	3,645	(26,237)
Total	(17,139)	(12,108)	3,637	(25,610)

FOR THE YEAR ENDED 31ST MARCH 2021

1. Accounting policies

(a) Basis of accounting

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

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

The financial statements have been prepared on a going concern basis. The disclosures on going concern on page 40 form part of these financial statements.

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

(b) Valuation of investments

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

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

Accordingly, upon initial recognition the investments are treated by the Company as 'held at fair value through profit or loss'.

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

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

(c) Accounting for reserves

Gains and losses on sales of investments including the related foreign exchange gains and losses, realised gains and losses on foreign currency cash balances and loans and any other capital charges, are included in the Statement of Comprehensive Income and dealt with in capital reserves within 'Gains and losses on sales of investments'.

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

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

(d) Income

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

Overseas dividends are included gross of any withholding tax.

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

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

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

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue except for expenses incidental to purchases and sales of investments which are written off to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 11 on page 68.

(f) Finance costs

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

Finance costs are allocated wholly to revenue.

(g) Financial instruments

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

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

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

(h) Taxation

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

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

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

(i) Value Added Tax ('VAT')

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

(j) Foreign currency

The Company is required to identify its functional currency, being the currency of the primary economic environment in which the Company operates.

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

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

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

1. Accounting policies *continued*

(k) Repurchase of shares to hold in Treasury

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

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

(l) Dividends

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

2. Significant accounting judgements, estimates and assumptions

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

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

3. Gains/(losses) on investments held at fair value through profit or loss

	2021 £'000	2020 £'000
Gains/(losses) on investments	88,643	(4,849)
Other capital charges	(4)	(4)
Total gains/(losses) on investments held at fair value through profit or loss	88,639	(4,853)

4. Income

	2021 £'000	2020 £'000
Income from investments		
Overseas dividends	3,526	3,836

5. Management fee

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Management fee	2,478	–	2,478	2,257	–	2,257

Details of the management fee are given in the Directors' Report on page 32.

6. Other administrative expenses

	2021 £'000	2020 £'000
Administrative expenses	239	304
Directors' remuneration ¹	143	138
Employer's National Insurance Contributions	10	11
Depositary fee	36	32
Fee payable to the Company's auditor for the audit of the Company's annual accounts ²	37	34
Savings scheme costs ³	–	6
	465	525

¹ Full disclosure is given in the Directors' Remuneration Report on pages 43 and 44.

² Exclusive of VAT.

³ Paid to the Manager for the administration of saving scheme products.

7. Finance costs

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Interest on bank loans and overdrafts	264	–	264	246	–	246

8. Taxation

(a) Analysis of tax charge for the year

	2021 £'000	2020 £'000
Overseas withholding tax	350	393
Total tax charge for the year	350	393

(b) Factors affecting total tax charge for the year

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

The UK corporation tax rate was 19% from 1st April 2017, giving an effective rate of 19% (2020: 19%). The tax assessed is lower (2020: higher) than that resulting from applying the effective standard rate of corporation tax in the UK. The difference is explained below.

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

	Revenue £'000	2021 Capital £'000	Total £'000	Revenue £'000	2020 Capital £'000	Total £'000
Net return/(losses) before taxation	319	91,973	92,292	808	(6,718)	(5,910)
Corporation tax at the effective rate of 19% (2020: 19%)	61	17,475	17,536	154	(1,276)	(1,122)
Effects of:						
Non taxable capital (gains)/losses	–	(17,475)	(17,475)	–	1,276	1,276
Non taxable overseas dividends	(649)	–	(649)	(705)	–	(705)
Unrelieved expenses	590	–	590	553	–	553
Overseas withholding tax	350	–	350	393	–	393
Double taxation relief expensed	(2)	–	(2)	(2)	–	(2)
Total tax charge for the year	350	–	350	393	–	393

(c) Deferred taxation

The Company has an unrecognised deferred tax asset of £6,587,000 (2020: £5,998,000) based on a prospective corporation tax rate of 19% (2020: 19%).

The deferred tax asset has arisen due to the cumulative excess of deductible management and loan expenses (£28,711,711 and £5,950,583 respectively) over taxable income. It is not anticipated that excess expenses will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

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

9. Return/(loss) per share

	2021 £'000	2020 £'000
Return per share is based on the following:		
Revenue (loss)/return	(31)	415
Capital return/(loss)	91,973	(6,718)
Total return/(loss)	91,942	(6,303)
Weighted average number of shares in issue during the year (excluding Treasury shares)	54,510,339	54,510,339
Revenue (loss)/return per share (basic and diluted)	(0.06)p	0.76p
Capital return/(loss) per share (basic and diluted)	168.73p	(12.32)p
Total return/(loss) per share (basic and diluted)	168.67p	(11.56)p

The basic and diluted return/(loss) per share are identical because there are no dilutive instruments (2020: none).

10 Dividends

(a) Dividends paid and declared

	2021 £'000	2020 £'000
Dividends paid		
2020 fourth quarterly dividend of 4.0p (2019: 4.3p) paid to shareholders in May	2,180	2,344
2021 first quarterly dividend of 5.0p (2020: 4.4p) paid to shareholders in August	2,726	2,398
2021 second quarterly dividend of 5.5p (2020: 4.6p) paid to shareholders in November	2,998	2,507
2021 third quarterly dividend of 5.9p (2020: 4.7p) paid to shareholders in February	3,216	2,562
Total dividends paid in the year	11,120	9,811
Dividend declared		
2021 fourth quarterly dividend of 5.5p (2020: 4.0p) paid to shareholders in May	2,998	2,180

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

The fourth quarterly dividend has been declared in respect of the year ended 31st March 2021. In accordance with the accounting policy of the Company, this dividend will be reflected in the financial statements for the year ending 31st March 2022.

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

The requirements of Section 1158 are considered on the basis of dividends declared in respect of the financial year, shown below.

	2021 £'000	2020 £'000
2021 first quarterly dividend of 5.0p (2020: 4.4p)	2,726	2,398
2021 second quarterly dividend of 5.5p (2020: 4.6p)	2,998	2,507
2021 third quarterly dividend of 5.9p (2020: 4.7p)	3,216	2,562
2021 fourth quarterly dividend payable of 5.5p (2020: 4.0p)	2,998	2,180
Total	11,938	9,647

11. Investments

	2021 £'000	2020 £'000
Investments listed on a recognised stock exchange	324,002	235,388
Opening book cost	182,864	182,519
Opening investment holding gains	52,524	71,066
Opening valuation	235,388	253,585
Movement in the year:		
Purchases at cost	75,794	31,591
Sales proceeds	(75,823)	(44,939)
Gains/(losses) on investments	88,643	(4,849)
	324,002	235,388
Closing book cost	228,597	182,864
Closing investment holding gains	95,405	52,524
Total investments held at fair value through profit or loss	324,002	235,388

The company received £75,823,000 (2020: £44,939,000) from investments sold in the year. The book cost of these investments when they were purchased was £30,061,000 (2020: £31,261,000). 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 £27,000 (2020: £18,000) and on sales during the year amounted to £26,000 (2020: £17,000). These costs comprise mainly brokerage commission.

12. Current assets

	2021 £'000	2020 £'000
Debtors		
Dividends and interest receivable	1,510	1,763
VAT recoverable	45	193
Other debtors	13	56
Securities sold awaiting settlement	–	16
	1,568	2,028

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

Cash and cash equivalents

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

13. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Other creditors and accruals	99	97
Loan interest payable	43	39
Securities purchased awaiting settlement	–	1,145
	142	1,281

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

	2021 £'000	2020 £'000
Bank loan	26,237	29,882
	26,237	29,882

On 26th October 2019, the Company arranged a new Yen 4.0 billion (introducing an option of further increasing the facility to Yen 6.0 billion in future) three year unsecured floating rate revolving facility with Scotiabank. This Yen 4 billion facility amounting £26,237,000 was fully drawn down at 31st March 2021.

Interest on the loan facility is payable at a margin of 0.825% over LIBOR as offered in the market for the loan period plus the 'mandatory costs' rate, which is the lender's cost of complying with certain regulatory requirements. This facility is subject to covenants which are customary for a credit agreement of this value. The principal covenants that apply to the loan facility are that the Company will not allow the adjusted asset coverage of borrowings to be less than 4.00 to 1.00 and will not allow its net assets to fall below £50m. These covenants were not breached during the year and up to the date of this report.

15. Called up share capital

	2021 £'000	2020 £'000
Issued and fully paid share capital:		
Ordinary shares of 10p each		
Opening balance of 54,510,339 (2020: 54,510,339) shares		
excluding shares held in Treasury	5,452	5,452
1,434,221 (2020: 1,434,221) shares held in Treasury	143	143
Closing balance of 55,944,560 (2020: 55,944,560) shares including shares held in Treasury	5,595	5,595

Further details of transactions in the Company's shares are given in the Strategic Report on page 25.

16. Capital and reserves

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve ^{1,2} £'000	Capital reserves ²			Revenue reserve ² £'000	Total £'000
					Gains and losses on sales of investments £'000	Investment holding gains and losses £'000	Other revaluation reserve £'000		
Opening balance	5,595	33,978	1,836	293,955	(157,225)	52,524	(503)	(11,164)	218,996
Net currency gains on cash, and cash equivalents	–	–	–	–	(311)	–	–	–	(311)
Realised gains on sale of investments	–	–	–	–	45,762	–	–	–	45,762
Net change in unrealised gains and losses on investments	–	–	–	–	–	42,881	–	–	42,881
Unrealised foreign currency gain on loan	–	–	–	–	–	–	3,645	–	3,645
Other capital charges	–	–	–	–	(4)	–	–	–	(4)
Net loss for the year	–	–	–	–	–	–	–	(31)	(31)
Dividends paid in the year	–	–	–	(11,120)	–	–	–	–	(11,120)
Closing balance	5,595	33,978	1,836	282,835	(111,778)	95,405	3,142	(11,195)	299,818

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

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

17. Net asset value per share

	2021	2020
Net assets (£'000)	299,818	218,996
Number of shares in issue, excluding shares held in Treasury	54,510,339	54,510,339
Net asset value per share	550.0p	401.8p

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

	2021 £'000	2020 £'000
Net return/(loss) before finance costs and taxation	92,556	(5,664)
(Less capital return)/add capital loss before finance costs and taxation	(91,973)	6,718
Decrease/(increase) in accrued income and other debtors	267	(49)
Increase in accrued expenses	2	17
Overseas withholding tax	(350)	(393)
Dividends received	(3,429)	(3,402)
Realised (loss)/gain on foreign exchange transactions	(335)	4
Net cash outflow from operations before dividends and interest	(3,262)	(2,769)

19. Capital commitments and contingent liabilities

At the balance sheet date there were no capital commitments or contingent liabilities (2020: none).

20a. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 32. The management fee payable to the Manager for the year was £2,478,000 (2020: £2,257,000) of which £nil (2020: £nil) was outstanding at the year end.

During the year £nil (2020: £6,000) was paid to the Manager for the marketing and administration of savings scheme products, of which £nil (2020: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 65 are safe custody fees payable to JPMorgan Chase group subsidiaries amounting to £35,000 (2020: £31,000) of which £13,000 (2020: £8,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities Limited for the year was £nil (2020: £1,000) of which £nil (2020: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £4,000 (2020: £4,000) were payable to JPMorgan Chase Bank N.A. during the year of which £nil (2020: £nil) was outstanding at the year end.

At the year end, total cash of £627,000 (2020: £12,743,000) was held with JPMorgan Chase. A net amount of interest of £nil (2019: £nil) was receivable by the Company during the year from JPMorgan Chase of which £nil (2020: £nil) was outstanding at the year end.

20b. Transactions with related parties

Full details of Directors' remuneration and shareholdings can be found on pages 43 and 44 and in note 6 on page 65.

21. Disclosures regarding financial instruments measured at fair value

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

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

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

- (1) **The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date**
- (2) **Inputs other than quoted prices included within Level 1 that are observable (i.e.: developed using market data) for the asset or liability, either directly or indirectly**
- (3) **Inputs are unobservable (i.e.: for which market data is unavailable) for the asset or liability**

Details of the valuation techniques used by the Company are given in note 1(b) on page 62.

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

	2021		2020	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	324,002	–	235,388	–
Total	324,002	–	235,388	–

There were no transfers between Level 1, 2 and 3 during the year (2020: none).

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

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

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

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

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

The Company's financial instruments as follows:

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

(a) Market risk

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

(i) Currency risk

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

Management of currency risk

The Manager monitors the Company's exposure to the yen on a daily basis and reports to the Board, which meets on at least four occasions each year. The Manager measures the risk to the Company of this exposure by considering the effect on the Company's net asset value and income of a movement in the sterling/yen rate of exchange to which the Company's assets, liabilities, income and expenses are exposed. Yen borrowing may be used to limit the exposure of the Company's portfolio of investments to changes in the exchange rate. This borrowing is limited to an amount commensurate with the asset exposure to the yen. Income denominated in yen is converted to sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements.

Foreign currency exposure

The fair value of the Company's monetary items that have foreign currency exposure at 31st March are shown below.

Where the Company's equity investments (which are not monetary items) are priced in yen, they have been included separately in the analysis so as to show the overall level of exposure.

Yen exposure	2021 £'000	2020 £'000
Securities sold awaiting settlement, dividends and interest receivable	1,510	1,956
Cash and cash equivalents	244	12,181
Bank loan	(26,237)	(29,882)
Securities purchased awaiting settlement	(43)	(1,187)
Foreign currency exposure on net monetary items	(24,526)	(16,932)
Investments held at fair value through profit or loss	324,002	235,388
Total net foreign currency exposure	299,476	218,456

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

Foreign currency sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets with regard to the Company's financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's currency financial instruments held at each balance sheet date and the income receivable in foreign currency and assumes a 10% (2020: 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.

	2021		2020	
	If sterling strengthened by 10% £'000	If sterling weakened by 10% £'000	If sterling strengthened by 10% £'000	If sterling weakened by 10% £'000
Statement of Comprehensive Income - return after taxation				
Revenue (loss)/return	(353)	353	(384)	384
Capital (loss)/return	(29,948)	29,948	(21,846)	21,846
Total (loss)/return after taxation	(30,301)	30,301	(22,230)	22,230
Net assets	(30,301)	30,301	(22,230)	22,230

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

(ii) Interest rate risk

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

Management of interest rate risk

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

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

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

22. Financial instruments' exposure to risk and risk management policies *continued*
(a) Market risk *continued*
(ii) Interest rate risk *continued*
Interest rate exposure

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

	2021 £'000	2020 £'000
Amounts exposed to floating interest rates:		
Cash and short term deposits	627	12,743
Bank loan	(26,237)	(29,882)
Total exposure	(25,610)	(17,139)

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above LIBOR respectively (2020: same).

Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2020: 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.

	2021		2020	
	1% increase in rate £'000	1% decrease in rate £'000	1% increase in rate £'000	1% decrease in rate £'000
Statement of Comprehensive Income - return after taxation				
Revenue (loss)/return	(256)	256	(171)	171
Net assets	(256)	256	(171)	171

In the opinion of the Directors, this sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due to fluctuations in the level of cash balances and amounts drawn down on the Company's loan facilities.

(iii) Other price risk

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

Management of other price risk

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

Other price risk exposure

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

	2021 £'000	2020 £'000
Investments held at fair value through profit or loss	324,002	235,388

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

Other price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase or decrease of 10% (2020: 10%) in the market value of equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee but with all other variables held constant.

	2021		2020	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income - return after taxation				
Revenue (loss)/return	(243)	243	(188)	188
Capital return/(loss)	32,400	(32,400)	23,539	(23,539)
Total return after taxation	32,157	(32,157)	23,351	(23,351)
Net assets	32,157	(32,157)	23,351	(23,351)

Concentration of exposure to market price risk

An analysis of the Company's investments is given on pages 18 to 21. This shows that all of the investments' value is in Japanese equities. Accordingly, there is a concentration of exposure to that country. However, it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

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

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

Management of liquidity risk

Liquidity risk is not significant as the Company's assets comprise readily realisable securities, which can be sold to meet funding requirements if necessary. Short term flexibility is achieved through the use of overdraft facilities.

The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities, working capital requirements and to gear the Company as appropriate. Details of the current loan facility are given in part (a)(ii) to this note on page 74.

Details of the company's loan facility are given in note 14 on page 69.

Liquidity risk exposure

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

	2021			Total £'000
	Three months or fewer £'000	More than three months but not more than one year £'000	More than one year £'000	
Creditors:				
Other creditors and accruals	99	–	–	99
Bank loan, including interest	53	163	26,361	26,577
	152	163	26,361	26,676
	2020			Total £'000
	Three months or fewer £'000	More than three months but not more than one year £'000	More than one year £'000	
Creditors:				
Securities purchased awaiting settlement	1,145	–	–	1,145
Other creditors and accruals	97	–	–	97
Bank loan, including interest	92	160	30,217	30,469
	1,334	160	30,217	31,711

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

(c) Credit risk

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

Management of credit risk

Portfolio dealing

The Company invests in markets that operate Delivery Versus Payment ('DVP') settlement. The process of DVP mitigates the risk of losing the principal of a trade during the settlement process. The Manager continuously monitors dealing activity to ensure best execution, a process that involves measuring various indicators including the quality of trade settlement and incidence of failed trades. Counterparty lists are maintained and adjusted accordingly.

Cash and cash equivalents

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

Exposure to JPMorgan Chase

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

The Depositary, Bank of New York Mellon (International) Limited, is responsible for the safekeeping of all custodial assets of the Company and for verifying and maintaining a record of all other assets of the Company. However, no absolute guarantee can be given on the protection of all the assets of the Company.

Credit risk exposure

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

(d) Fair values of financial assets and financial liabilities

All financial assets and liabilities are either included in the Statement of Financial Position at fair value or the carrying amount is a reasonable approximation of fair value.

23. Capital management policies and procedures

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

	2021 £'000	2020 £'000
Debt:		
Bank loan	26,237	29,882
Equity:		
Called up share capital	5,595	5,595
Reserves	294,223	213,401
	299,818	218,996
Total debt and equity	326,055	248,878

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

The Board's policy is to limit gearing within the range of 5% net cash to 15% geared in normal market conditions.

23. Capital management policies and procedures *continued*

	2021 £'000	2020 £'000
Investments held at fair value through profit or loss	324,002	235,388
Net assets	299,818	218,996
Gearing	8.1%	7.5%

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

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

24. Subsequent events

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

Regulatory Disclosures

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

Leverage

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

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD, as at 31st March 2021, which gives the following figures:

	Gross Method	Commitment Method
Leverage exposure		
Maximum limit	200%	200%
Actual	109%	109%

JPMorgan Funds Limited (the '**Management Company**') is the authorised manager of JPMorgan Japan Small Cap Growth & Income 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 2020 Performance Year and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an Assets Under Management ('AUM') weighted basis.

Due to the Firm's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 30 Alternative Investment Funds (with 5 sub-funds) and 2 UCITS (with 40 sub-funds) as at 31st December 2020, with a combined AUM as at that date of £21.4 billion and £22.5 billion respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company (USD\$'000s)	19,241	11,862	31,103	139

The aggregate 2020 total remuneration paid to AIFMD Identified Staff was USD \$63,330,000, of which USD \$5,620,000 relates to Senior Management and USD \$57,710,000 relates to other Identified Staff.¹

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

SECURITIES FINANCING TRANSACTIONS REGULATION DISCLOSURE (UNAUDITED)

The Company does not engage in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions) or total return swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31st March 2021.

Shareholder Information

Notice is hereby given that the twenty-first Annual General Meeting of JPMorgan Japan Small Cap Growth & Income plc will be held at 60 Victoria Embankment, London EC4Y 0JP on Wednesday, 28th July 2021 at 12.00 noon for the following purposes (which will be proposed in case of Resolutions 1 to 11 as ordinary resolutions and, in the case of Resolutions 12 and 14 as special resolutions):

1. To receive the Directors' Report, the Annual Accounts and the Auditors' Report for the year ended 31st March 2021.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 31st March 2021.
4. To approve the dividend policy of the Company as set out in the Annual Report.
5. To reappoint Alexa Henderson as a Director of the Company.
6. To reappoint Yuuichiro Nakajima as a Director of the Company.
7. To reappoint Deborah Guthrie as a Director of the Company.
8. To reappoint Martin Shenfield as a Director of the Company.
9. To reappoint Tom Walker as a Director of the Company.
10. To reappoint Grant Thornton UK LLP as the Auditor of the Company and to authorise the Directors to determine its remuneration.

Authority to allot new Ordinary shares – Ordinary Resolution

11. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot equity securities in the Company and to grant rights to subscribe for, or to convert any security into, Ordinary shares in the Company ('Rights') up to an aggregate nominal amount of £545,103 or, if different, the aggregate nominal amount representing approximately 10% of the Company's issued Ordinary share capital (excluding shares held in Treasury) as at the date of the passing of this resolution providing that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2022 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot equity securities and grant Rights in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

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

12. THAT subject to the passing of Resolution 11, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 11 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £545,103 or, if different, the aggregate nominal amount representing approximately 10% of the total Ordinary share capital (excluding shares held in Treasury) as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 11, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

Authority to repurchase the Company's shares – Special Resolution

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

PROVIDED ALWAYS THAT

- (i) the maximum number of Ordinary shares hereby authorised to be purchased shall be 8,171,099 or, if fewer, that number of Ordinary shares which is equal to 14.99% of the Company's issued share capital (less shares held in Treasury) as at the date of the passing of this Resolution;
- (ii) the minimum price which may be paid for an Ordinary share shall be 10 pence;
- (iii) the maximum price which may be paid for a share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for a share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;

NOTICE OF ANNUAL GENERAL MEETING

- (iv) any purchase of Ordinary shares will be made in the market for cash at prices below the prevailing NAV per share (as determined by the Directors);
 - (v) the authority hereby conferred shall expire on 27th January 2023 unless the authority is renewed at the Company's Annual General Meeting in 2022 or at any other general meeting prior to such time; and
 - (vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.
2. Subject to the entry restrictions placed on this year's AGM as detailed in note 1. above, a member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
 3. Subject to the entry restrictions placed on this year's AGM as detailed in note 1. above, a proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.

Adoption of New Articles of Association – Special Resolution

14. THAT the Articles of Association produced to the meeting and signed by the chairman of the meeting for the purposes of identification be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.
4. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 12.00 noon two business days prior to the Meeting (i.e. excluding weekends and bank holidays).
5. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.

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

25th June 2021

Notes

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

1. At the date of posting of the AGM Notice, given the ongoing uncertainty about the course of COVID-19 and due to ongoing public health concerns, the Board intends to limit physical attendance at the AGM only to Directors or their proxies and representatives from J.P. Morgan. The Board will ensure that the minimum quorum is present to allow the formal business to proceed. 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. Should the Government guidance change and the current restrictions on group gatherings be relaxed by the time of the Meeting, the Company may still impose entry restrictions on certain persons wishing to attend the Annual General Meeting in order to secure the safety of those attending the Meeting and the orderly conduct of the 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. Subject to compliance with COVID-19 pandemic legislation as detailed in note 1. above, entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
8. Subject to the entry restrictions placed on this year's AGM as detailed in note 1. above, a corporation, which is a shareholder, may appoint

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

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

9. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's financial statements (including the Auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (b) any circumstances connected with the Auditor of the Company ceasing to hold office since the previous Annual General Meeting, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website pursuant to this right.
10. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
11. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
12. A copy of this Notice of Meeting has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy cannot be exercised by

a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

13. In accordance with Section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting, the total voting rights members are entitled to exercise at the Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice will be available on the Company's website www.jpjapansmallcapgrowthandincome.co.uk.
14. Subject to COVID-19 related entry restrictions, the register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). They will also be available for inspection at the Meeting. No Director has any contract of service with the Company.
15. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
16. As an alternative to completing a hard copy Form of Proxy/Voting Instruction Form, you can appoint a proxy or proxies electronically by visiting www.sharevote.co.uk. You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Instruction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites.
17. As at 21st June 2021 (being the latest business day prior to the publication of this Notice), the Company's issued share capital (excluding Treasury shares) consists of 54,510,339 Ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 54,510,339.
18. A copy of the proposed new articles of association of the Company, together with a copy showing all of the proposed changes to the existing articles of association, will be available for inspection on the Company's website, www.jpjapansmallcapgrowthandincome.co.uk and at the offices of J.P. Morgan Asset Management, 60 Victoria Embankment, London EC4Y 0JP between the hours of 9.00 a.m. and 5.00 p.m. (Saturdays, Sundays and public holidays excepted), from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

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.

SUMMARY OF THE PRINCIPAL AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

Set out below is a summary of the principal amendments which will be made to the Company's Existing Articles through the adoption of the New Articles if Resolution 14 to be proposed at the AGM is approved by shareholders.

This summary is intended only to highlight the principal amendments to the Existing Articles. It is not intended to be comprehensive and cannot be relied upon to identify amendments or issues which may be of interest to all shareholders. This summary is not a substitute for reviewing the full terms of the New Articles which will be available for inspection on the Company's website, www.jpmmjapanmallcapgrowthandincome.co.uk and at the offices of JPMorgan Funds Limited, 60 Victoria Embankment, London EC4Y 0JP between the hours of 9.00 a.m. and 5.00 p.m. (Saturdays, Sundays and public holidays excepted), from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

Hybrid/virtual-only shareholder meetings

The New Articles permit the Company to hold shareholder meetings on a wholly virtual basis, whereby shareholders are not required to attend the meeting in person at a physical location but may instead attend and participate using exclusively electronic means. A shareholder meeting may be virtual-only if attendees participate only by way of electronic means, or may be held on a hybrid basis whereby some attendees attend in person at a physical location and others attend remotely using electronic means. Amendments have been made throughout the New Articles to facilitate the holding of hybrid or virtual-only shareholder meetings. These amendments are being proposed in response to the challenges posed by Government restrictions on social interactions as a result of the COVID-19 pandemic. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

Notwithstanding the proposed amendments which allow for the possibility of holding virtual-only general meetings (including AGMs), the Board remains fully committed to ensuring that future general meetings (including AGMs) incorporate a physical meeting whenever law and regulation permits. The potential to hold a general meeting through wholly electronic means is intended as a solution to be adopted as a last resort to ensure the continued smooth operation of the Company. The Board only intends to use virtual-only meetings in extreme operating circumstances where physical meetings are prohibited or not reasonably practicable.

Minor amendments

The Board is also taking the opportunity to make some additional minor or technical amendments to the Existing Articles, including: (i) providing that the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, as such liability would be to the detriment of shareholders as a whole; (ii) providing the Directors with the ability to postpone general meetings of the Company in certain circumstances after the Notice of Meeting has been sent; (iii) the inclusion of a procedure in the event an insufficient number of Directors are re-elected at an annual general meeting of the Company; (iv) expressly providing for the Board's ability to establish a capital reserve which may be used for any of the purposes to which sums standing to any revenue reserve may be applied (including to fund dividend payments and share buy backs if the Board believes it is in the best interests of the Company to do so); (v) allowing the Company to pay dividends exclusively through bank transfers or other electronic payment methods instead of by way of cheques with the further ability to retain cash payments where bank details are not provided by a shareholder; (vi) simplifying the procedure in relation to the untraced shareholders procedure by removing the requirement for the Company to publish newspaper advertisements; and (vii) clarifying that the consideration (if any) received by the Company upon the sale of any share which is forfeited by a shareholder pursuant to the New Articles will belong to the Company. These changes reflect modern best practice and are intended to relieve certain administrative burdens on the Company.

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	Year ended	
		31st March	31st March	
		2021	2020	
Opening share price (p)	5	354.0	376.0	(a)
Closing share price (p)	5	502.0	354.0	(b)
Total dividend adjustment factor ¹		1.042906	1.044870	(c)
Adjusted closing share price (d = b x c)		523.5	369.9	(d)
Total return to shareholders (e = (d / a) - 1)		47.9%	-1.6%	(e)

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

Return on Net Assets (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	Year ended	
		31st March	31st March	
		2021	2020	
Opening cum-income NAV per share (p)	5	401.8	431.3	(a)
Closing cum-income NAV per share (p)	5	550.0	401.8	(b)
Total dividend adjustment factor ¹		1.040007	1.040537	(c)
Adjusted closing cum-income NAV per share (d = b x c)		572.0	418.1	(d)
Total return on net assets with debt at par value (e = (d / a) - 1)		42.4%	-3.1%	(e)

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

Net asset value per share (APM)

The value of the Company's net assets (total assets less total liabilities) divided by the number of ordinary shares in issue. Please see note 17 on page 70 for detailed calculations.

Benchmark Return

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

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

Gearing/(Net Cash) (APM)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds. If the amount calculated is negative, this is shown as a 'net cash' position.

Gearing calculation	Page	31st March	31st March	
		2021	2020	
		£'000	£'000	
Investments held at fair value through profit or loss	60	324,002	235,388	(a)
Net assets	60	299,818	218,996	(b)
Gearing (c = (a / b) - 1)		8.1%	7.5%	(c)

Ongoing charges (APM)

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

		Year ended 31st March 2021 £'000	Year ended 31st March 2020 £'000	
Ongoing charges calculation	Page			
Management fee	51	2,478	2,257	
Other administrative expenses	51	465	525	
Total management fee and other administrative expenses		2,943	2,782	(a)
Average daily cum-income net assets		288,366	243,341	(b)
Ongoing charges (c = a / b)		1.02%	1.14%	(c)

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

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

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

Performance Attribution

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

Performance Attribution Definitions:

Stock/Sector Allocation

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

Gearing/(net cash)

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

Management Fee/Other Expenses

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

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

1. Via a third party provider

Third party providers include:

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

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

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

2. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you to 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 CALENDAR

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

History

The Company and its predecessor, JF Fledgeling Japan Limited, have been investing in Japanese smaller companies since 1984. In early 2000, JF Fledgeling Japan Limited was placed into voluntary liquidation and JPMorgan Fleming Japanese Smaller Companies Investment Trust plc was incorporated and took over its assets and undertakings. Dealings on the new Company began on the London Stock Exchange on 11th April 2000. The Company changed its name to JPMorgan Japan Smaller Companies Trust plc in July 2010 and to JPMorgan Small Cap Growth & Income plc on 16th December 2020.

Company Numbers

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

Market Information

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

Website

www.jpmmjapanasmallcapgrowthandincome.co.uk.

Share Transactions

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

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

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

For company secretarial matters, please contact Divya Amin.

Depository

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

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

Registrars

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

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

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 2093.

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

Independent Auditor

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

Brokers

Cenkos Securities plc
 6, 7, 8 Tokenhouse Yard
 London EC2R 7AS

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

The Company conducts its affairs in a way which enables the shares that it issues to be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority ('FCA') in relation to non-mainstream investment products.

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

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



The Association of
 Investment Companies

A member of the AIC

CONTACT

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Website www.jpmmjapanasmallcapgrowthandincome.co.uk

