JPMorgan Japan Small Cap Growth & Income plc

Providing income without compromising on Japanese growth opportunities

Half Year Report & Financial Statements
for the six months ended 30th September 2023

J.P.Morgan
ASSET MANAGEMENT

Key Features

Investment Objective

The objective of JPMorgan Japan Small Cap Growth & Income plc (the 'Company') 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.

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 2023, 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 engages 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 (the 'Investment Manager') through JPMorgan Asset Management (UK) Limited ('JPMAM'). Miyako Urabe, Xuming Tao and Naohiro Ozawa (the 'Portfolio Managers') manage the portfolio on behalf of the Investment Manager.

Association of Investment Companies ('AIC')

The Company is a member of the AIC and complies with the AIC Code of Corporate Governance.

Website

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

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**

"The Company aims to provide shareholders with access to the innovative and fast-growing smaller companies' universe at the core of the Japanese economy. Our portfolio favours quality and growth, and we target companies which we believe can compound earnings growth over the long term, supported by sustainable competitive advantages and good management teams."

Miyako Urabe, Portfolio Manager
JPMorgan Japan Small Cap Growth & Income plc

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

Providing income without compromising on Japanese growth opportunities

The Company 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 14 years' experience with the firm and 19 years' experience in the industry. They are supported by JPMorgan Asset Management's extensive resources around the world.

Our investment approach

A combination of desk-based research and company meetings inform our rating of a company. We 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

24
Investment professionals in Japan

4,000+
Japanese company meetings each year

400+
Approximate number of stocks covered

Contents

Keeping in Touch

The Board and the Portfolio Managers are keen to increase dialogue with the Company's shareholders and other interested parties. If you wish to sign up to receive email updates from the Company, including news and views and latest performance statistics, please click

https://web.gim.jpmorgan.com/emea_investment_trust_subscription/welcome?targetFund=JSGI or use the below QR Code.

Financial highlights

Total returns (including dividends reinvested) to 30th September 2023

	6 Months	3 Years Cumulative	5 Years Cumulative	10 Years Cumulative
Return to shareholders[1,A]	–4.2%	–32.9%	–15.6%	+87.9%
Return on net assets[2,A]	–0.7%	–28.4%	–12.9%	+91.8%
Benchmark return[3]	+2.7%	+1.7%	+0.3%	+97.1%
Dividend per share	7.0p			

[1] Source: Morningstar.

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

[3] Source: Morningstar. With effect from 1st April 2021, the benchmark is the MSCI Japan Small Cap Index (in sterling terms). The Company's benchmark was the S&P Japan SmallCap Net Return Index (in sterling terms) up to 31st March 2023.

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

A glossary of terms and APMs is provided on pages 30 and 31.

Financial Highlights

Summary of results

	30th September 2023	31st March 2023	% change
Shareholders' funds (£'000)	190,667	196,022	–2.7[2]
Ordinary shares in issue[1]	54,510,339	54,510,339	
Net asset value per share	349.8p	359.6p	–2.7[2]
Share price (p)	304.0p	324.5p	–6.3[3]
Share price discount to net asset value per share[A]	13.1%	9.8%	
Ongoing charges (%)[A]	**1.19%**	**1.19%**	
Gearing (%)[A]	**5.6%**	**5.6%**	

[1] Excludes 1,434,221 (31st March 2023: 1,434,221) shares held in Treasury.
[2] Excluding dividends reinvested. Including dividends reinvested, the return is –0.7%.
[3] Excluding dividends reinvested. Including dividends reinvested, the return is –4.2%.
[A] Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 30 and 31.

Chairman's Statement

Investment Performance

Alexa Henderson
Chairman

For the six months to 30th September 2023, the total return on the Company's net asset value was –0.7% (in GBP) compared to a total return of +2.7% for the benchmark, the MSCI Japan Small Cap Index, an underperformance of 3.4%. It is worth noting that while performance was relatively close to benchmark in the first three months of the period, the Company underperformed between July and September 2023. This was in part due to a significant market rotation away from the quality and growth stocks the Company favours, towards the lower-quality, value-oriented stocks with unappealing growth characteristics which dominated the benchmark.

In the first half of 2023 there was a brief flurry of interest in a handful of tech stocks exposed to artificial intelligence-based technologies, but tech and other growth stocks have subsequently lagged in all major markets. Investors focused on the likelihood that global interest rates would remain elevated for longer than previously hoped and this prospect adversely impacted growth stocks whose valuations are based on discounted future cash flows which decline as rates increase. Japanese growth stocks have not been immune to this, despite relatively subdued Japanese inflation, an accommodative central bank and clear signs of improvement in Japan's economic and market outlook.

To give some perspective to the Company's recent disappointing performance, it is important to note that the portfolio's focus on quality and growth means it usually differs significantly from the benchmark, and it is therefore inevitable that performance will often vary substantially from the benchmark, regardless of market conditions. Indeed, the Company has outperformed the market in six of the last 10 calendar years, as reported in my Chairman's Statement in the 2023 Annual Report. Given the Portfolio Managers' conviction that good quality companies with strong growth prospects will perform best over the long run, it is arguably more meaningful to assess performance over a longer timeframe. For example, over the 10 years ended 30th September 2023, the Company achieved an average annualised return of 6.7%, not far from the average annualised benchmark return of 7.1%.

The Company's recent investment performance is explained in depth in the Portfolio Managers' Report, along with details of portfolio activity over the past six months. The Portfolio Managers also outline the reasons for their optimism about the outlook for the Japanese market, and the themes they expect will further drive the Company's performance over the short term and beyond.

Dividend Policy and Discount Management

The Company's dividend policy aims to pay, in the absence of unforeseen circumstances, a regular 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, paid from other reserves.

For the year ended 31st March 2023, quarterly dividends paid totalled 14.2p per share (2022: 20.3p). For the half year ended 30th September 2023, the Board has declared two dividends, each of 3.5 pence, for the quarters ended 30th June and 30th September 2023 respectively. Two further dividends will be declared on the first business day after 31st December 2023 and 31st March 2024. The Company currently offers a relatively attractive dividend yield of 4.7%, based on the last four dividend payments and the share price at 302p.

The discount at which the Company's shares trade relative to its net asset value stood at 13.1% at 30th September 2023, up from the 9.8% reported at the Company's year-end, 31st March 2023. This widening is broadly in line with the experience of many other investment trusts over this period. The Board closely monitors the discount and recognises that it is in shareholders' interests that the Company's share price does not excessively differ from the underlying NAV under normal market conditions. Taking the prolonged period of widened discount into account, the Board decided to resume share buybacks for the first time since March 2018. Since the end of the financial half year, it has repurchased 86,112 shares. At the time of writing, the discount stood at 11.0%.

Chairman's Statement

Gearing/Borrowing

The Portfolio Managers seek, at times, to enhance investment returns for shareholders by borrowing money to buy more assets ('gearing'), subject to their view on prevailing market conditions. The Company's investment policy permits such tactical gearing within a range of 10% net cash to 25% geared. However, the Board requires the Manager to operate in the narrower range of 5% net cash to 15% geared in normal market conditions. The Company's gearing is discussed regularly by the Board and the Portfolio Managers, and the gearing level is reviewed by the Directors at each Board meeting. During the six months to end September 2023, the Company's gearing level averaged 6% and ranged between 4.7% and 7.4%, ending the half year at 5.6% (end March 2023: 5.6%).

The Company currently has a Yen 4.0 billion two-year revolving credit facility with ING Bank. This facility has a maturity date of December 2024, and the Manager will seek to renew or replace this facility, at the best available terms, on expiry.

Outlook

There are, as ever, issues generating uncertainty for investors – the risk to global growth posed by persistently higher interest rates as well as the continued war in Ukraine and recent conflicts in the Middle East. However, it is encouraging to see clear signs of improvement in the Japanese economy following its, albeit delayed, post-pandemic re-opening. The prospect of an end to decades of deflation is equally welcome. Japan is also undergoing significant technological and structural changes, which should bolster growth and productivity well into the future. The country's innovative and dynamic small cap companies are ideally placed to thrive in this environment – they are already leading the way in a variety of niche markets. It also seems that investors are only just beginning to grasp the very positive impact corporate governance reforms are likely to have on shareholder returns over the medium to longer term.

This is a very favourable investment backdrop, and the Board is positive about the Company's prospects. It believes that the Investment Managers' focus on quality and growth, supported by JPMorgan's extensive, global and Tokyo-based research resources, means that the Company is ideally placed to identify and capitalise on the many interesting opportunities available amongst Japan's smaller cap businesses. We therefore share the Portfolio Managers' confidence in the Company's ability to deliver attractive levels of capital growth, combined with a regular income, to shareholders over the long term.

Alexa Henderson
Chairman

1st December 2023

Portfolio Managers' Report

Miyako Urabe
Portfolio Manager

Xuming Tao
Portfolio Manager

Naohiro Ozawa
Portfolio Manager

Performance and market review

Over the six months to September 2023, the Company underperformed its benchmark, the MSCI Japan Small Cap Index (in GBP terms), by 3.4 percentage points, delivering a return of –0.7% on a net asset value (NAV) basis (in GBP terms), compared to the benchmark return of +2.7%.

The portfolio has a quality and growth bias and focuses on companies with strong business models that can compound earnings growth over the long-term. Our investment strategy looks beyond short-term market fluctuations and adopts a long-term perspective, based on the view that excess returns take time to accumulate, especially for smaller cap stocks.

The review period began on an optimistic note. Investors welcomed an acceleration in efforts to improve corporate governance (discussed further below), and rising import inflation and wage increases raised hopes of an end to Japan's long period of deflation. The rise in Japanese equity markets was supported by increased interest from foreign investors. The Company's underperformance during the reporting period mainly occurred in the second half of the period, between July and September 2023, particularly in September, when we saw value stocks strongly outperform the growth stocks we favour. Value stocks rose and growth stocks came under pressure due to an increased focus on monetary policy, as the US Federal Reserve and the Bank of England kept hiking rates and the Bank of Japan (BoJ) eased its longstanding yield curve controls. Higher rates have an adverse impact on growth stocks, as they reduce the discounted future cashflows on which their valuations are based.

Spotlight on stocks and sectors

During the six months under review, both stock selection and sector allocation had negative impacts on performance.

The stocks that contributed most positively to returns included **MEC**, **Mitsubishi HC Capital** and **Nippon Sanso**.

- **MEC** is the global leader in the niche market for advanced adhesion enhancer products used in printed circuit boards. Its products improve the adhesion between the wiring materials and the insulating materials in the semiconductor package. We anticipate that the company will enjoy revenue growth as semiconductor miniaturisation makes further advances and usage of this technology spreads.
- **Mitsubishi HC Capital** is a leasing company with a track record of solid execution and steady long-term earnings growth. The company was established through a merger of Mitsubishi UFJ Lease and Hitachi Capital, and we anticipate continued synergies within the group.
- **Nippon Sanso** is Japan's number one supplier of industrial gas and the fourth largest in the world. We believe that industrial gas is an attractive industry, with high barriers of entry, increasingly consolidated market shares, strong cashflow generation, defensiveness backed by take-or-pay models for onsite long-term contracts, and a favourable pricing environment. Nippon Sanso has been successfully expanding their presence both organically and through M&A activity.

On the other hand, the largest detractors at the stock level included **Square Enix**, **Milbon** and **MISUMI**.

- **Square Enix** develops and publishes video game software, including long-running titles such as Dragon Quest and Final Fantasy. A consistently rising digital download ratio is a favourable industry trend, as digital downloads have higher profitability than packaged games thanks to easier distribution, and we expect companies such as Square Enix which possess strong intellectual property in the form of popular games to benefit. Near-term earnings have, however, been disappointing, with weaker than expected title sales. The new CEO is focusing on raising profitability to improve the business's performance, and we will monitor execution going forward.
- **Milbon** is Japan's number one manufacturer of salon exclusive hair care products. With a strong consulting sales approach, the company has been expanding market share at home, while also growing overseas in countries such as China and Korea. In the near-term, rising raw material costs have dampened profitability, but our positive assessment of Milbon's positioning, and its scope to expand both domestically and overseas, remains unchanged.

- **MISUMI** is a producer and distributor of discrete automation components. The company's offering is unique in that it manufactures standardised factory automation components and also has an online distribution service which sells both its own products and those of third parties. While the long-term outlook for automation demand remains strong, near-term earnings have been difficult, particularly due to weakness in the Chinese market.

With respect to sector allocation, the main positive contributors to performance at the sector level were our underweight position in Equity Real Estate Investment Trusts, which is a sector that performed poorly under a tighter monetary policy environment. The overweight position in the materials sector also contributed positively. The most significant detractors from relative performance included our overweight position in software & services and our underweight position in banks. Internet companies have continued to struggle on profit taking after a previous period of strong performance. However, we maintain our view that digitalisation is an area of significant growth potential in Japan considering the still low penetration of services such as e-commerce, digital advertising, cashless payments. We therefore remain overweight the sector, although we have reduced the size of the overweight, due to attractive new ideas in other sectors (see examples in the Portfolio Positioning section). Meanwhile, banks performed strongly following the BoJ's move to allow more flexibility in its yield curve control policy. While any resultant increase in interest rates is likely to be supportive for banks' earnings, it is difficult to find any legacy banks with sustainable long-term growth opportunities or clear competitive advantages. The only bank stock the Company owns is Rakuten Bank, which is a fast-growing online bank with the ability to leverage the broader Rakuten group ecosystem to acquire new business.

About our investment philosophy

The Company aims to provide shareholders with access to the innovative and fast-growing smaller companies at the core of the Japanese economy. Our investment approach favours quality and structural growth, and we target companies (other than Japan's largest 200) which we believe can compound earnings growth over the long term, supported by sustainable competitive advantages, good management teams and judicious capital allocation. We believe the strong and durable market positioning of such businesses will allow them to substantially increase their intrinsic value over time. We avoid stocks that have no clear differentiation and those that operate in industries plagued by excess supply and structural decline. Our focus on quality and growth means that the portfolio tends to benefit from our ability to over- and underweight stocks relative to the benchmark, as this provides a potential source for additional return, enhancing the Company's scope to outperform over the long term.

Our stock selection is based on fundamental analysis, 'on-the-ground' knowledge and extensive contact with the management teams of prospective and current portfolio companies. The Company is managed by a team of three, supported by over 20 Tokyo-based investment professionals. Their knowledge of the local market provides us with significant strength in identifying investment opportunities in small cap companies – a sector of the market which is under-researched and overlooked by many investors.

The starting point in our bottom-up investment process is our Strategic Classification framework, where we address the key question 'Is this a business that we want to own?'. Through this process we assign a rating of Premium, Quality or Standard (formerly named Trading) to each stock based on its fundamentals, governance and the sustainability of its revenues over the long term. We aim to have a high exposure to Premium and Quality companies, and where possible, we invest from an early stage, to benefit fully as companies realise their growth potential.

This patient approach is key to generating excess return over the long term, although the portfolio's focus on quality and growth means it tends to struggle during value rallies. Having said that, the Company does not target 'growth at any price'. We always strive to acquire shares at a reasonable price. To this end, we use a five-year expected return framework to consider whether a stock's price is at an attractive level. We believe it is also important to construct a well-balanced, diversified portfolio, to minimise exposure to unintended risks. The Company's current and prospective portfolio holdings include a broad range of sectors, including not only IT hardware and software, but materials, chemicals, construction, machinery and consumer goods and services.

Portfolio Managers' Report

We believe that well-run companies, which exhibit behaviour that respects the environment and the interests of their shareholders, customers, employees and other stakeholders, are most likely to deliver sustainable, long-term returns. Such environmental, social and governance ('ESG') considerations are thus integral to our investment process and a key driver of our quest to generate financial returns. ESG factors influence our decisions both at the portfolio construction stage and thereafter, once companies are held in the portfolio, when ongoing engagement with managers can be effective in encouraging them to realise and maintain acceptable ESG standards. Our long-term holding in DTS, a system integration services provider, is one instance where our engagement with a company has resulted in considerable progress in its corporate governance practices, including, in DTS's case, in greater board independence and diversity and a better shareholder return policy.

Trends and themes

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

The investment themes which help shape the portfolio include:

- **Changing demographics:** Japan's ageing and declining population is creating significant challenges for Japanese policymakers. The government is committed to tackle these issues through regulatory reforms and greater use of technology, and this is providing opportunities for innovative smaller companies working to improve the quality of life for the elderly, for example, by reducing the need for face-to-face medical consultations. The telemedicine company, Medley, is an example of a portfolio holding benefiting from such innovation.
- **Improving labour productivity via digitalisation:** Japan's ageing population is also leading to a contraction in labour supply, and digitalisation is a key part of the solution to this problem, as it raises labour productivity. The government wants to encourage adoption of digital technology across the economy, and to this end it has established an agency which is focused on digitalising the operations of national and local governments, as well as Japan's education and healthcare systems. Portfolio holdings Rakus, a cloud services provider, and Infomart, a business-to-business trading platform for the food industry, are examples of holdings that benefit from this long-term trend.
- **Technological innovation:** While certain areas of the Japanese economy such as financial services lag other markets in terms of their technological sophistication, Japanese manufacturers are world class. The country is a leading global supplier of factory automation equipment, robots, electronics parts and materials, presenting attractive investment opportunities for portfolio companies such as MEC and C. Uyemura that specialise in niche technology markets.
- **De-carbonisation:** The Japanese government's commitment to reduce carbon emissions to net zero by 2050 has galvanised efforts to transition the economy to renewable energy sources and take other necessary steps to mitigate climate change. Some smaller Japanese companies possess unique technologies related to the production of electric vehicles, solar and wind power and other forms of clean energy, and we continue our search for companies such as Canadian Solar Infrastructure Fund and Hirano Tecseed, a specialist industrial machinery supplier, that are well-positioned to benefit from the global push towards carbon neutrality.
- **Overseas growth:** The Asian region is experiencing rapid structural growth. Japanese luxury goods producers and other strong brands such as our investments in Milbon, a supplier of exclusive hair products, and watchmaker Seiko, are likely to continue experiencing strong demand from new customers in China, India and other increasingly prosperous Asian countries.
- **Corporate governance:** Japan's corporate sector is making a concerted effort to strengthen governance standards via enhanced shareholder returns, the appointment of more independent, external directors to company boards, tighter internal controls and more transparent disclosure rules. There is, however, room for further improvement, and we engage in constructive dialogues with portfolio companies and potential investments on this broad theme, on the view that the market is likely to keep rewarding companies that upgrade their governance practices.

Positioning the portfolio for future success

Despite persistent market volatility, we have continued to search for opportunities to purchase quality, long-term compounders at attractive valuations. **LIFEDRINK**, **Osaka Soda** and **Japan Material** are three names which we have purchased during the past six months:

- **LIFEDRINK** is a beverage company focused on private label products for retailers. The company has a vertically integrated business model which allows it to offer lower prices and enjoy higher margins. We believe the company has a healthy growth runway, as the Japanese market for private label products is still under-developed compared to overseas markets such as US, and the inflationary environment is ensuring strong demand, as consumers prefer the company's lower priced items to national brands.
- **Osaka Soda** is a chemical company that holds the top global position in multiple niche product categories. The company's biggest future growth driver is silica gel, which is used in GLP-1 obesity drugs. Osaka Soda has the largest share of the world market and profitability on this product is very high, as the obesity drug market is growing rapidly. Osaka Soda is currently expanding its capacity accordingly. While capex investment for growth is likely to be the near-term priority, and the company presently has a stable dividend policy, its balance sheet is healthy, with a net cash position, so there is scope for future dividend increases which will enhance shareholder returns.
- **Japan Material** provides after service to semiconductor plants for various infrastructure such as gas, ultra-pure water and specialty chemicals. Japan Material is the only company in Japan that provides a 'one-stop' maintenance service, which provides customers with savings of approximately 30% on the cost of these services, compared to using separate contractors. We anticipate strong demand in the mid to long-term, as there has been a significant increase in the number of new semiconductor plants scheduled for construction in Japan. We initiated this position in March and have continued to add to it subsequently.

On the other hand, we sold our position in **Nextage**, one of Japan's top three used car retailers. The used car retail market is highly fragmented with room for consolidation over the long-term, and Nextage has been quickly expanding through new store openings. However, there have been media reports of fraudulent insurance claims by various companies within the industry, including Nextage, so we exited the position. We also trimmed several names, taking some profits and adjusting position sizes as valuations became less compelling compared to before following strong performance. This includes on **Monogatari Corp**, which owns restaurant franchises, **Capcom**, a gaming company and **C. Uyemura**, a specialist chemical company supplying semiconductor manufacturers.

Over the review period, annualised portfolio turnover was around 31%. We maintain our bias towards quality and growth, which is evidenced by the fact that the portfolio has a higher return on equity (ROE) and higher growth in earnings per share (EPS) than the overall market, while continuing to be disciplined on valuations.

Outlook and strategy

The external environment remains uncertain, with persistent concerns over inflation and the ramifications of tight monetary policy, including the ongoing risk of a global recession. Japan is also seeing signs of inflation, as the rise in commodity prices, combined with a weaker yen, has imported inflationary pressures, although inflation is still low compared to other major markets. Some large corporates have announced notable wage hikes after decades of stagnant wages growth, which is very encouraging for the Japan economy, and the key question related to Japan's inflation outlook is whether these pay increases will spread to mid- and small-sized enterprises. The Bank of Japan made small adjustments to its ultra-easy monetary policy in December 2022 and July 2023, intended to allow rates to drift higher, and the policy direction under the new governor will remain a focus for investors.

Another near-term support for the Japan economy, in addition to rising wages, is the country's belated COVID reopening. Japan reopened its borders in October 2022, and inbound tourism and hospitality services have only resumed in recent months. The reopening of the Chinese economy is providing additional impetus to this rebound, not only via tourism, but also for many other consumer and industrial companies.

Portfolio Managers' Report

Over the medium to long term, the key structural support for Japan's equity market remains the improvement in corporate governance. Improvements over the past few years are clear, in large part thanks to the Corporate Governance Code introduced in 2015. In addition to steps such as the rising proportion of independent board directors, we have seen notable increases in dividend payments and share buybacks by some companies. These measures have already improved shareholder returns, and with many Japanese companies still awash with cash, we expect further significant efforts to return cash to shareholders, and increase investment returns accordingly. As a team, we conduct over 4000 company meetings a year, on the ground in Tokyo, and we have sensed an acceleration in corporate reform efforts this year, particularly after the Tokyo Stock Exchange's (TSE) initiatives announced earlier this year. These initiatives include a requirement for companies whose share price consistently trades below 1x price to book to disclose a strategy to improve this. We anticipate a broad-based improvement on the corporate governance front, not only companies trading below book value, considering balance sheet inefficiency is an issue seen across the market in Japan, and even high quality companies with strong competitive positions have room for improvement.

All of these factors, in particular the longer-term potential for improved shareholder returns– bode well for Japanese equities. The portfolio's exposure to several significant, very positive, long-term structural trends should provide further impetus to performance over the longer term.

But 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. It is reassuring to us that such companies tend to have significantly larger cash positions, and stronger balance sheets than their peers in other developed countries. This gives them the wherewithal to weather any unexpected short-term fluctuations in the economic or market environment.

Furthermore, average valuations of Japanese companies remain attractive compared to most other major markets. And 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. Yet, the sell side coverage for such exciting small and mid-cap companies tends to be scant. We believe this gives us a considerable competitive advantage, as our large and dedicated team of Japan equities analysts and fund managers, on the grounds in Tokyo, is ideally placed to discover exciting investment opportunities amongst smaller companies, and to capitalise on the long-term structural changes playing out in Japan.

We therefore remain confident our investment approach and portfolio positioning will deliver positive and sustained returns to our shareholders over the medium and long term.

Miyako Urabe
Xuming Tao
Naohiro Ozawa
Portfolio Managers

1st December 2023

Twenty Largest Investments

Twenty largest investments

As at 30th September 2023

Company	Sector	Valuation £'000	%[1]
Mitsubishi HC Capital	Other Financing Business	5,553	2.8
Sanwa	Metal Products	5,421	2.7
MEC	Chemicals	5,411	2.7
Nippon Sanso	Chemicals	4,955	2.5
Raito Kogyo	Construction	4,939	2.5
Sangetsu	Wholesale Trade	4,689	2.3
BIPROGY	Information & Communication	4,667	2.3
Nakanishi	Precision Instruments	4,593	2.3
Kissei Pharmaceutical	Pharmaceutical	4,503	2.2
Mitsui Chemicals	Chemicals	4,453	2.2
Cosmos Pharmaceutical	Retail Trade	4,241	2.1
Taiyo Yuden	Electric Appliances	4,085	2.0
Mitsui Fudosan Logistics Park	Real Estate	3,932	2.0
Aica Kogyo	Chemicals	3,838	1.9
Japan Material	Services	3,785	1.9
Capcom	Information & Communication	3,775	1.9
LIFEDRINK	Foods	3,627	1.8
Marui	Retail Trade	3,583	1.8
Kyushu Railway	Land Transportation	3,581	1.8
Sumitomo Densetsu	Construction	3,560	1.8
Total		**87,191**	**43.5**

[1] Based on total investments of £201.3m (31st March 2023: 206.9m).

Sector Analysis

Sector analysis

As at 30th September 2023

	30th September 2023		31st March 2023	
	Portfolio %[1]	Benchmark %	Portfolio %[1]	Benchmark %
Chemicals	19.8	7.4	19.0	7.7
Information & Communication	11.0	5.9	15.5	6.1
Retail Trade	8.9	9.3	9.0	9.8
Services	7.7	5.1	9.5	5.7
Construction	7.4	4.9	8.1	4.4
Wholesale Trade	7.1	6.3	6.1	6.0
Real Estate	5.6	10.0	5.0	10.6
Precision Instruments	5.0	1.8	4.9	1.8
Electric Appliances	4.4	6.6	4.4	6.9
Metal Products	4.0	1.5	4.9	1.5
Pharmaceutical	3.0	3.1	2.2	2.7
Machinery	2.8	7.1	3.6	7.5
Other Financing Business	2.8	1.6	2.0	1.5
Other Products	1.8	2.3	1.1	2.2
Foods	1.8	4.9	—	4.4
Land Transportation	1.8	3.2	—	3.3
Glass & Ceramics Products	1.4	2.0	1.8	1.9
Banks	1.3	5.2	—	4.3
Nonferrous Metals	1.2	1.5	1.8	1.5
Iron & Steel	0.9	1.4	0.8	1.1
Securities & Commodity Futures	0.3	0.5	0.3	0.5
Transportation Equipment	—	2.3	—	2.1
Electric Power & Gas	—	1.9	—	1.8
Rubber Products	—	1.0	—	0.9
Textiles & Apparels	—	1.0	—	1.1
Warehousing & Harbor Transportation Services	—	0.6	—	0.6
Pulp & Paper	—	0.5	—	0.5
Fishery, Agriculture & Forestry	—	0.4	—	0.4
Oil & Coal Products	—	0.3	—	0.3
Mining	—	0.2	—	0.2
Insurance	—	0.1	—	0.1
Marine Transportation	—	0.1	—	0.6
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £201.3m (31st March 2023: 206.9m).

Condensed Statement of Comprehensive Income

For the six months ended 30th September 2023

	(Unaudited) Six months ended 30th September 2023			(Unaudited) Six months ended 30th September 2022			(Audited) Year ended 31st March 2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments held at fair value through profit or loss	—	(3,085)	(3,085)	—	(19,640)	(19,640)	—	(15,007)	(15,007)
Net foreign currency gains	—	1,320	1,320	—	358	358	—	619	619
Income from investments	1,750	—	1,750	1,993	—	1,993	4,736	41	4,777
Other interest receivable	3	—	3	1	—	1	3	—	3
Gross return/(loss)	**1,753**	**(1,765)**	**(12)**	**1,994**	**(19,282)**	**(17,288)**	**4,739**	**(14,347)**	**(9,608)**
Management fee	(910)	—	(910)	(939)	—	(939)	(1,856)	—	(1,856)
Other administrative expenses	(240)	—	(240)	(262)	—	(262)	(472)	—	(472)
Net return/(loss) before finance costs and taxation	**603**	**(1,765)**	**(1,162)**	**793**	**(19,282)**	**(18,489)**	**2,411**	**(14,347)**	**(11,936)**
Finance costs	(149)	—	(149)	(107)	—	(107)	(321)	—	(321)
Net return/(loss) before taxation	**454**	**(1,765)**	**(1,311)**	**686**	**(19,282)**	**(18,596)**	**2,090**	**(14,347)**	**(12,257)**
Taxation	(174)	—	(174)	(227)	—	(227)	(500)	—	(500)
Net return/(loss) after taxation	**280**	**(1,765)**	**(1,485)**	**459**	**(19,282)**	**(18,823)**	**1,590**	**(14,347)**	**(12,757)**
Return/(loss) per share (note 3)	**0.51p**	**(3.24)p**	**(2.73)p**	**0.84p**	**(35.37)p**	**(34.53)p**	**2.92p**	**(26.32)p**	**(23.40)p**

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

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

Net return/(loss) after taxation represents the profit/(loss) for the period/year and also Total Comprehensive Income.

Condensed 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
Six months ended 30th September 2023 (Unaudited)							
At 31st March 2023	**5,595**	**33,978**	**1,836**	**262,994**	**(99,107)**	**(9,274)**	**196,022**
Net (loss)/return	—	—	—	—	(1,765)	280	(1,485)
Dividends paid in the period (note 4)	—	—	—	(3,870)	—	—	(3,870)
At 30th September 2023	**5,595**	**33,978**	**1,836**	**259,124**	**(100,872)**	**(8,994)**	**190,667**
Six months ended 30th September 2022 (Unaudited)							
At 31st March 2022	**5,595**	**33,978**	**1,836**	**270,952**	**(84,760)**	**(10,864)**	**216,737**
Net (loss)/return	—	—	—	—	(19,282)	459	(18,823)
Dividends paid in the period (note 4)	—	—	—	(4,034)	—	—	(4,034)
At 30th September 2022	**5,595**	**33,978**	**1,836**	**266,918**	**(104,042)**	**(10,405)**	**193,880**
Year ended 31st March 2023 (Audited)							
At 31st March 2022	**5,595**	**33,978**	**1,836**	**270,952**	**(84,760)**	**(10,864)**	**216,737**
Net (loss)/return	—	—	—	—	(14,347)	1,590	(12,757)
Dividends paid in the year (note 4)	—	—	—	(7,958)	—	—	(7,958)
At 31st March 2023	**5,595**	**33,978**	**1,836**	**262,994**	**(99,107)**	**(9,274)**	**196,022**

[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.

Condensed Statement of Financial Position

At 30th September 2023

	(Unaudited) 30th September 2023 £'000	(Unaudited) 30th September 2022 £'000	(Audited) 31st March 2023 £'000
Fixed assets			
Investments held at fair value through profit or loss	**201,275**	**203,091**	**206,931**
Current assets			
Debtors	2,014	1,444	3,412
Cash and cash equivalents	5,674	9,485	7,446
	7,688	10,929	10,858
Creditors: amounts falling due within one year	(18,296)	(20,140)	(21,767)
Net current liabilities	**(10,608)**	**(9,211)**	**(10,909)**
Total assets less current liabilities	**190,667**	**193,880**	**196,022**
Net assets	**190,667**	**193,880**	**196,022**
Capital and reserves			
Called up share capital	5,595	5,595	5,595
Share premium	33,978	33,978	33,978
Capital redemption reserve	1,836	1,836	1,836
Other reserve	259,124	266,918	262,994
Capital reserves	(100,872)	(104,042)	(99,107)
Revenue reserve	(8,994)	(10,405)	(9,274)
Total shareholders' funds	**190,667**	**193,880**	**196,022**
Net asset value per share (note 5)	**349.8p**	**355.7p**	**359.6p**

Condensed Statement of Cash Flows

For the six months ended 30th September 2023

	(Unaudited) 30th September 2023 £'000	(Unaudited) 30th September 2022[1] £'000	(Audited) 31st March 2023 £'000
Cash flows from operating activities			
Net loss before finance costs and taxation	(1,162)	(18,489)	(11,936)
Adjustment for:			
Net losses on investments held at fair value through profit or loss	3,085	19,640	15,007
Net foreign currency gains	(1,320)	(358)	(619)
Dividend income	(1,750)	(1,993)	(4,736)
Interest income	(3)	(1)	(3)
Realised (gain)/loss on foreign exchange transactions	(560)	(56)	25
Decrease in accrued income and other debtors	24	3	92
Decrease/(Increase) in accrued expenses	38	(7)	15
	(1,648)	**(1,261)**	**(2,155)**
Dividends received	2,578	2,459	4,355
Interest received	3	1	3
Overseas tax paid	(174)	(200)	(473)
Net cash inflow from operating activities	**759**	**999**	**1,730**
Purchases of investments	(35,705)	(26,071)	(46,467)
Sales of investments	37,193	33,372	55,328
Settlement of foreign currency contracts	—	5	—
Net cash inflow from investing activities	**1,488**	**7,306**	**8,861**
Dividends paid	(3,870)	(4,034)	(7,958)
Repayment of bank loan	—	(4,844)	(4,844)
Interest paid	(152)	(113)	(340)
Net cash outflow from financing activities	**(4,022)**	**(8,991)**	**(13,142)**
Cash and cash equivalents at start of period/year	7,446	10,143	10,143
Exchange movements	3	28	(146)
Cash and cash equivalents at end of period/year	**5,674**	**9,485**	**7,446**
Decrease in cash and cash equivalents	**(1,775)**	**(686)**	**(2,551)**
Cash and cash equivalents consist of:			
Cash and short term deposits	5,674	9,485	7,446
Total	**5,674**	**9,485**	**7,446**

[1] The presentation of the Cash Flow Statement, as permitted under FRS 102, has been changed so as to present the reconciliation of 'net return/(loss) before finance costs and taxation' to 'net cash inflow operating activities' on the face of the Cash Flow Statement. Previously, this was shown by way of note. Interest paid has also been reclassified to financing activities, previously shown under operating activities, as this relates to the loans drawndown. Other than consequential changes in presentation of the certain cash flow items, there is no change to the cash flows as presented in previous periods.

Condensed Statement of Cash Flows (continued)

Analysis of change in net debt

	As at 31st March 2023 £'000	Cash flows £'000	Exchange movement £'000	As at 30th September 2023 £'000
Cash and cash equivalents				
Cash	7,446	(1,775)	3	5,674
	7,446	(1,775)	3	5,674
Borrowings				
Debt due within one year	(19,446)	—	1,877	(17,569)
	(19,446)	—	1,877	(17,569)
Net debt	**(12,000)**	**(1,775)**	**1,880**	**(11,895)**

Notes to the Condensed Financial Statements

For the six months ended 30th September 2023

1. Financial statements

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

The figures and financial information for the year ended 31st March 2023 are extracted from the latest published financial statements of the Company and do not constitute statutory accounts for that year. Those financial statements have been delivered to the Registrar of Companies, including the report of the auditor which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

The condensed financial statements have been prepared in accordance with the Companies Act 2006, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' of the United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the revised 'SORP') issued by the Association of Investment Companies in July 2022.

FRS 104, 'Interim Financial Reporting', issued by the Financial Reporting Council ('FRC') in March 2015 has been applied in preparing this condensed set of financial statements for the six months ended 30th September 2023.

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

The accounting policies applied to this condensed set of financial statements are consistent with those applied in the financial statements for the year ended 31st March 2023.

3. Return/(loss) per share

	(Unaudited) Six months ended 30th September 2023 £'000	(Unaudited) Six months ended 30th September 2022 £'000	(Audited) Year ended 31st March 2023 £'000
Return per Ordinary share is based on the following:			
Revenue return	280	459	1,590
Capital loss	(1,765)	(19,282)	(14,347)
Total loss	**(1,485)**	**(18,823)**	**(12,757)**
Weighted average number of shares in issue during the period/year (excluding Treasury shares)	54,510,339	54,510,339	54,510,339
Revenue return per share	0.51p	0.84p	2.92p
Capital loss per share	(3.24)p	(35.37)p	(26.32)p
Total loss per share	**(2.73)p**	**(34.53)p**	**(23.40)p**

4. Dividends paid

	(Unaudited) Six months ended 30th September 2023 £'000	(Unaudited) Six months ended 30th September 2022 £'000	(Audited) Year ended 31st March 2023 £'000
2023 fourth quarterly dividend of 3.6p (2022: 4.0p)	1,962	2,180	2,180
2024 first quarterly dividend of 3.5p (2023: 3.4p)	1,908	1,854	1,854
2023 second quarterly dividend of 3.6p (2022: 5.8p)	—	—	1,962
2023 third quarterly dividend of 3.6p (2022: 5.0p)	—	—	1,962
Total dividends paid	**3,870**	**4,034**	**7,958**

The dividend paid in the period has been funded from the other reserve.

Notes to the Condensed Financial Statements

4. Dividends paid (continued)

A second quarterly dividend of 3.5p (2023: 3.6p) per share, amounting to £1,907,199 (2023: £1,962,372) has been declared payable in respect of the year ending 31st March 2024. It was paid on 17th November 2023 to shareholders on the register at the close of business on 20th October 2023.

5. Net asset value per share

	(Unaudited) Six months ended 30th September 2023	(Unaudited) Six months ended 30th September 2022	(Audited) Year ended 31st March 2023
Net assets (£'000)	190,667	193,880	196,022
Number of shares in issue	54,510,339	54,510,339	54,510,339
Net asset value per share	**349.8p**	**355.7p**	**359.6p**

6. Fair valuation of instruments

The fair value hierarchy analysis for financial instruments held at fair value at the period end is as follows:

	(Unaudited) Six months ended 30th September 2023		(Unaudited) Six months ended 30th September 2022		(Audited) Year ended 31st March 2023	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	201,275	—	203,091	—	206,931	—
Total value of instruments	**201,275**	**—**	**203,091**	**—**	**206,931**	**—**


平成二十四年七月吉日建之
小寺章夫 静子
山形県鶴岡市大西町一九ノ四
京都市山科区勧修寺柴山一八ノ五

Interim Management Report

The Company is required to make the following disclosures in its half year report.

Principal and Emerging Risks and Uncertainties

The principal and emerging risks and uncertainties faced by the Company have not changed and fall into the following broad categories: investment and strategy; market; operational and cyber crime; loss of investment team or investment managers; share price relative to NAV per share; accounting, legal and regulatory; political and economic; global pandemics; geopolitical instability, climate change and artificial intelligence. Information on each of these areas is given in the Business Review within the Annual Report and Financial Statements for the year ended 31st March 2023.

Related Parties Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company during the period.

Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and, more specifically, that there are no material uncertainties pertaining to the Company that would prevent its ability to continue in such operational existence for at least 12 months from the date of the approval of this half yearly financial report. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements.

Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

(i) the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with FRS 104 'Interim Financial Reporting' and gives a true and fair view of the state of the affairs of the Company and of the assets, liabilities, financial position and net return of the Company as at 30th September 2023, as required by the FCA Disclosure Guidance and Transparency Rule 4.2.4R; and

(ii) the interim management report includes a fair review of the information required by DTRs 4.2.7R and 4.2.8R of the FCA Disclosure Guidance and Transparency Rules.

In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on 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.

For and on behalf of the Board

Alexa Henderson
Chairman

1st December 2023

Glossary of Terms and Alternative Performance Measures

Alternative Performance Measures

Alternative Performance Measures ('APMs') are numerical measures of current, historical or future financial performance, financial position or cash flow that are not GAAP measures. APMs are intended to supplement the information in the financial statements, providing useful industry-specific information that can assist shareholders to better understand the performance of the Company.

Where a measure is labelled as an APM, a definition and reconciliation to a GAAP measure is set out below:

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**	**Six months ended 30th September 2023**	
Opening share price (p)	7	324.5	(a)
Closing share price (p)	7	304.0	(b)
Total dividend adjustment factor[1]		1.022959	(c)
Adjusted closing share price (d = b x c)		311.0	(d)
Total return to shareholders (e = d / a – 1)	6	**–4.2%**	(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**	**Six months ended 30th September 2023**	
Opening cum-income NAV per share (p)	7	359.6	(a)
Closing cum-income NAV per share (p)	7	349.8	(b)
Total dividend adjustment factor[1]		1.020485	(c)
Adjusted closing cum-income NAV per share (d = b x c)		357.0	(d)
Total return on net assets (e = d / a – 1)	6	**–0.7%**	(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.

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

Benchmark Total Return

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

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

Glossary of Terms and Alternative Performance Measures ('APMS')

Gearing/(net cash) (APM)

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

Gearing calculation	Page	30th September 2023 £'000	31st March 2023 £'000	
Investments held at fair value through profit or loss	22	201,275	206,931	(a)
Net assets	22	190,667	196,022	(b)
Gearing/(net cash) (c = a / b – 1)	7	**5.6%**	**5.6%**	(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.

The figure as at 30th September 2023 is an estimated annualised figure based on the numbers for the six months ended 30th September 2023.

Ongoing charges calculation	Page	30th September 2023 £'000	31st March 2023 £'000	
Management Fee	20	1,820	1,856	
Other administrative expenses	20	480	472	
Total management fee and other administrative expenses	20	2,300	2,328	(a)
Average daily cum-income net assets		192,838	196,192	(b)
Ongoing charges (c = a / b)	7	**1.19%**	**1.19%**	(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.

Where to Buy Shares in the Company

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 Investcentre	Hargreaves Lansdown
Barclays Smart investor	iDealing
Bestinvest	IG
Charles Stanley Direct	Interactive investor
Close brothers A.M. Self	IWeb
Directed Service	ShareDeal active
Fidelity Personal Investing	Willis Owen
Freetrade	X-O.co.uk
Halifax Share Dealing	

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 adviser charging and commission rules, visit fca.org.uk.

Investment and pension scams are often sophisticated and difficult to spot

FINANCIAL CONDUCT AUTHORITY
Be a ScamSmart Investor

Be a ScamSmart investor and spot the warning signs

Fraudsters will often:

- contact you out of the blue
- apply pressure to invest quickly
- downplay the risks to your money
- promise tempting returns that sound too good to be true
- say that they're only making the offer available to you or even ask you to not tell anyone else about it

How to avoid investment and pension scams

1. **Reject unexpected offers**
   Scammers usually cold call, but contact can also come by email, post, word of mouth or at a seminar. If you've been offered an investment out of the blue, chances are it's a high risk investment or a scam.
2. **Check the FCA Warning List**
   Use the FCA Warning List to check the risks of a potential investment – you can also search to see if the firm is known to be operating without our authorisation.
3. **Get impartial advice**
   Get impartial advice before investing – don't use an adviser from the firm that contacted you.

If you're suspicious, report it

You can report the firm or scam to us by contacting our **Consumer Helpline** on **0800 111 6768** or using our reporting form using the link below.

If you've lost money in a scam, contact Action Fraud on 0300 123 2040 or www.actionfraud.police.uk

Be ScamSmart and visit www.fca.org.uk/scamsmart

Information About the Company

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 Japan Small Cap Growth & Income plc on 16th December 2020.

Directors

Alexa Henderson (Chairman)
Deborah Guthrie
Martin Shenfield
Thomas Walker

Company Numbers

Company registration number: 3916716

Ordinary Shares

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.jpmjapansmallcapgrowthandincome.co.uk, where the share price is updated every 15 minutes during trading hours.

Website

www.jpmjapansmallcapgrowthandincome.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: 0800 20 40 20 or +44 1268 44 44 70
email: invtrusts.cosec@jpmorgan.com

For company secretarial matters, please contact Divya Amin.

Depositary

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

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

Registrar

Equiniti Limited
Reference 2093
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: +44 (0)371 384 2945

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. If calling from outside of the UK, please ensure the country code is used.

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

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

Independent Auditor

Johnston Carmichael LLP
7-11 Melville Street
Edinburgh EH3 7PE

Broker

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

Financial Conduct Authority ('FCA') regulation of 'non-mainstream pooled investments' and MiFID II 'complex instruments' and Consumer Duty

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by independent financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust. The Company's ordinary shares are not considered to be 'complex instruments' under the FCA's 'Appropriateness' rules and guidance in the COB sourcebook.

Consumer Duty Value Assessment

The Manager has conducted an annual value assessment on the Company in line with FCA rules set out in the Consumer Duty regulation. The assessment focuses on the nature of the product, including benefits received and its quality, limitations that are part of the product, expected total costs to clients and target market considerations. Within this, the assessment considers quality of services, performance of the Company (against both benchmark and peers), total fees (including management fees and entry and exit fees as applicable to the Company), and also considers whether all consumers, including vulnerable consumers, are able to receive fair value from the product. The Manager has concluded that the Company is providing value based on the above assessment.

aic The Association of Investment Companies

A member of the AIC

CONTACT

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J.P.Morgan
ASSET MANAGEMENT