



# JPMorgan Japanese Investment Trust plc

Be at the heart of Japan's new growth

Half Year Report and Financial Statements for the  
six months ended 31st March 2022

## KEY FEATURES

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### Your Company

#### Investment Objective

Capital growth from investments in Japanese companies.

#### Investment Policy

- To maintain a portfolio almost wholly invested in Japan.
- To use gearing to increase potential returns to shareholders. The Company's gearing policy is to operate within a range of 5% net cash to 20% geared, in normal market conditions.

Further details on the objective and structure of the Company, together with investment restrictions and guidelines, are given in the Strategic Report on pages 26 and 27 of the Annual Report & Financial Statements for the year ended 30th September 2021.

#### Benchmark

The Tokyo Stock Exchange Index<sup>1</sup> ('TOPIX') with net dividends reinvested, expressed in sterling terms.

#### Capital Structure

UK domiciled. Premium listing on the London Stock Exchange. Constituent of the FTSE 250 Index.

As at 31st March 2022, the Company's share capital comprised 161,248,078 ordinary shares of 25p each, including 5,014,589 ordinary shares held in Treasury.

#### Management Company and Company Secretary

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

#### Environmental, Social and Governance ('ESG') Considerations

ESG considerations are fully integrated into the stock selection process. JPMAM research teams compile their own ESG analyses on each company as well as using external vendor research, and rank them. These ESG scores are combined with strategic and financial analysis to evaluate the overall attractiveness of an investment. In addition, the Manager, together with Stewardship specialists, conducts extensive engagement on specific ESG issues with investee companies. JPMAM is a signatory to both the UN PRI and the Net Zero Asset Managers Initiative. JPMAM Japan is a signatory to the Japanese Stewardship Code and endeavours to vote at all of the meetings called by companies in which your portfolio invests. The Company's detailed ESG report is on pages 16 to 18.

#### Website

The Company's website, which can be found at [www.jpmmjapanese.co.uk](http://www.jpmmjapanese.co.uk), includes useful information on the Company, such as daily prices, factsheets and current and historic half year and annual reports.



Morningstar Analyst Rating.  
Source: Morningstar, April 2022.



#### Awards



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

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



## Why invest in the JPMorgan Japanese Investment Trust

### Be at the heart of Japan's new growth

Tap into Japan's economic transformation and potential for long-term capital growth as a dynamic new generation of companies emerge.

### Expertise

The Company is one of the largest and oldest closed-ended funds to focus on Japanese equities. It is managed by a Tokyo based team of 26 investment professionals, providing the vital local insights needed to uncover value in an under-researched market.

### Portfolio

The Company invests in innovative Japanese companies from across the market cap spectrum that are leading the world in high-growth industries, including robotics, e-commerce, fintech and computer gaming.

The Investment Managers seek out high quality companies with strong franchises, balance sheets and cash-flow generation, while fully integrating environmental, social and governance factors into stock selection.

### Results

The Company provides access to a portfolio that is focused only on those high quality Japanese companies that the Investment Managers believe offer the most attractive opportunities for sustainable long-term capital growth.



50+

Years' experience  
investing in the Japan

26

Japan-based investment  
professionals

4,000+

Japanese company  
visits each year

93%

Active share

### Half Year Performance

- 4 Financial Highlights

### Chairman's Statement

- 7 Chairman's Statement

### Investment Review

- 10 Investment Managers' Report
- 16 Environmental, Social and Governance Report ('ESG')
- 19 Sector Analysis
- 20 List of Investments

### Financial Statements

- 22 Statement of Comprehensive Income
- 23 Statement of Changes in Equity
- 24 Statement of Financial Position
- 25 Statement of Cash Flows
- 26 Notes to the Financial Statements

### Interim Management Report

- 30

### Shareholder Information

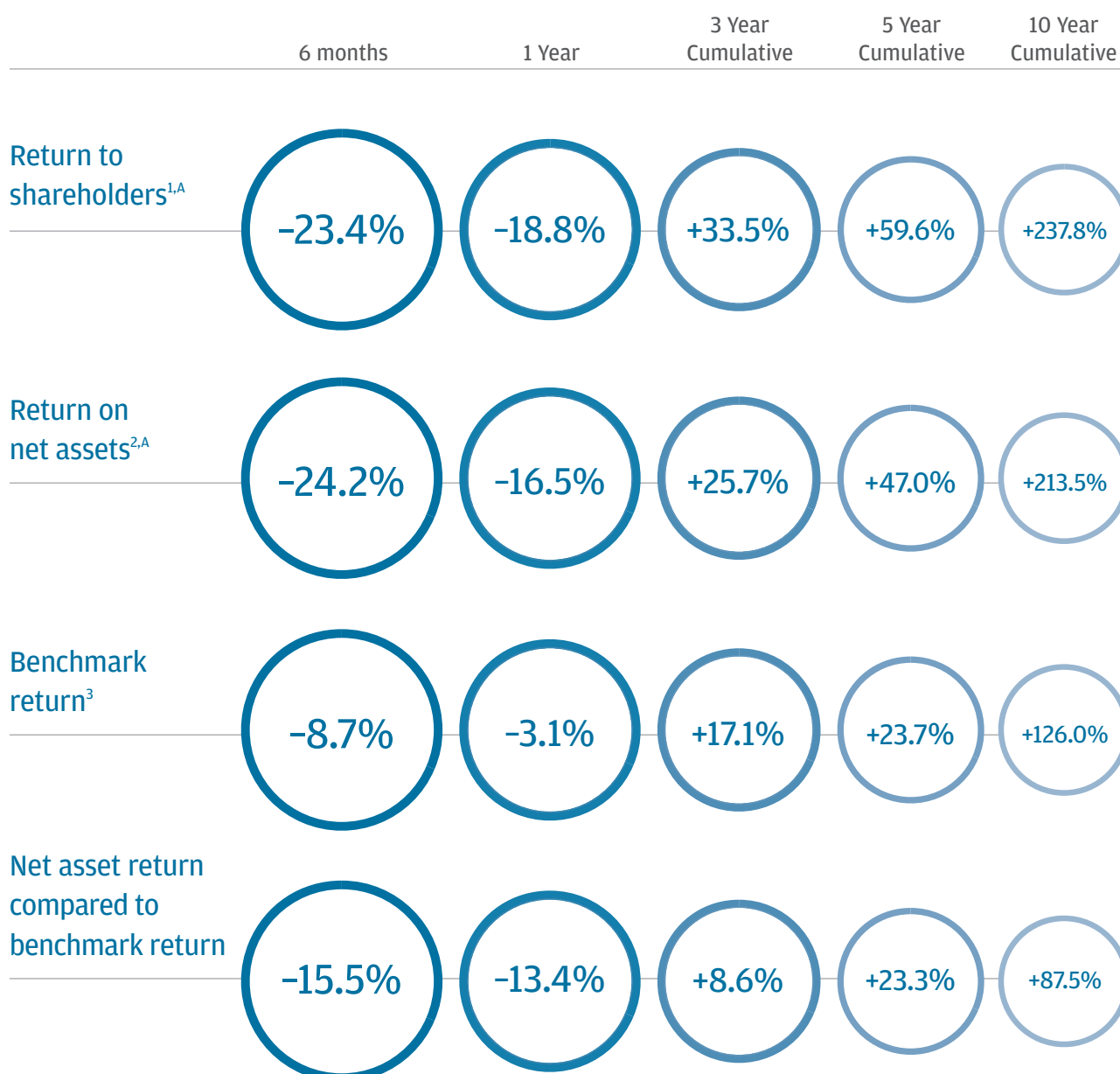
- 32 Glossary of Terms and Alternative Performance Measures ('APMs')
- 35 Where to buy J.P. Morgan Investment Trusts
- 36 Information about the Company

## Half Year Performance

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## TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED)

TO 31ST MARCH 2022



<sup>1</sup> Source: Morningstar.

<sup>2</sup> Source: Morningstar/I.P. Morgan, using cum income net asset value per share with debt at fair value.

<sup>3</sup> Source: Morningstar. The Company's benchmark is the TOPIX Index expressed in sterling terms. The Tokyo Stock Exchange was restructured on 4th April 2022. The constituents of TOPIX following the restructuring remain unchanged, regardless of their new market segment. However, the Index weights of the smallest constituents (sub JPY 5bn) will reduce to zero over time.

<sup>A</sup> Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 32 to 34.

## FINANCIAL DATA (EXCLUDING DIVIDENDS REINVESTED)

	31st March 2022	30th September 2021	% change
<b>Key financial data as at 31st March</b>			
Shareholders' funds (£'000)	862,955	1,154,544	-25.3
Total Assets	986,173	1,317,568	-25.2
Net asset value per share with debt a fair value <sup>A</sup>	550.8p	731.7p	-24.7 <sup>2</sup>
Net asset value per share with debt at par value <sup>A</sup>	552.3p	735.5	-24.9 <sup>1</sup>
Share price	518.0p	682.0p	-24.0 <sup>3</sup>
Share price discount to net asset value per share with debt at fair value <sup>A</sup>	6.0%	6.8%	
Share price discount to net asset value per share with debt at par value <sup>A</sup>	6.2%	7.3%	
12 month average share price discount to net asset value per share with debt at fair value <sup>4</sup>	5.0%	3.9%	
Exchange rate	1 £ = ¥ 159.8	1 £ = ¥ 150.4	+6.3
Number of shares in issue (excluding shares held in treasury)	156,233,489	156,980,434	-0.5
<b>Gearing<sup>A</sup></b>	<b>12.5%</b>	<b>12.7%</b>	
<b>Ongoing charges<sup>A</sup></b>	<b>0.66%</b>	<b>0.61%</b>	

<sup>1</sup> % change, excluding dividends paid. Including dividends, the total return is -24.3%.

<sup>2</sup> % change, excluding dividends paid. Including dividends, the total return is -24.2%.

<sup>3</sup> % change, excluding dividends paid. Including dividends, the total return is -23.4%.

<sup>4</sup> Morningstar/J.P.Morgan.

<sup>A</sup> Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 32 and 34.

## Chairman's Statement

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**Christopher Samuel**  
Chairman

## Investment Performance

In the six months ended 31st March 2022 the global investment environment was mixed, with the relative success of the Covid vaccination programme in Japan and across the globe contrasting with rising global consumer price inflation and the catastrophic war in Ukraine.

For the half year, the total return on net assets of the Company, with debt calculated at fair value, was -24.2%. This compares with a total return for the same period from the Company's benchmark index, the Tokyo Stock Exchange (TOPIX) Index<sup>1</sup> (in sterling terms), of -8.7%. The share price total return over the same period was -23.4% due to the discount narrowing from 6.8% to 6.0% over the period.

In my last Chairman's statement in December 2021 I reminded investors that, given our Investment Managers' high conviction, unconstrained approach focused on finding the best investment ideas in Japan, there will from time to time be periods of underperformance. That reminder remains timely given the major shift in financial market sentiment in favour of cyclical and value companies. The companies benefitting from this shift are not generally the kind of names your Company invests in given its focus on quality stocks with strong growth prospects over the longer-term. However the Company's longer-term NAV performance remains strong, with outperformance against the benchmark index<sup>1</sup> over 3, 5 and 10 years of +8.6%, +23.3% and +87.5% respectively.

The Investment Managers' Report on pages 10 to 15 discusses performance, the investment rationale behind recent portfolio activity and the outlook in more detail.

Notwithstanding this period of difficult performance, I am delighted to report that the Company's Morningstar Analyst rating has been increased to their highest level, Gold, from the previous rating of Silver. It is particularly good to see the Morningstar report recognise the strength of the Company's Investment Manager, in particular Nicholas Weindling, Miyako Urabe and the rest of the JPMAM Japan Equity investment team, and their investment process. Your Manager is the only active Japanese Equity Manager with a Gold Morningstar Analyst rating across some 900 Japanese equity funds and share classes which Morningstar classify as 'Japan Large-Cap equity' and on which they provide data on their UK website. You can find further details of the Morningstar research and rating at [www.morningstar.co.uk](http://www.morningstar.co.uk)

## Gearing

The Board of Directors believes that gearing can be beneficial to performance and sets the overall strategic gearing policy and guidelines and reviews these at each Board meeting. The Investment Managers then manage the gearing within the agreed levels. The Investment Managers' permitted gearing limit is within the range of 5% net cash to 20% geared in normal market conditions. During the period, gearing ranged from 11.9% to 16.6%, with an average of 13.6%. As at 31st March 2022, gearing was equivalent to 12.5% of net assets (12.7% as at 30th September 2021).

After the period end the Company took out a yen 5 billion revolving credit facility with Mizuho Bank Ltd to enable the Investment Managers to invest further as and when they see opportunities and to diversify the funding sources available to the Company. This facility is in addition to the credit facility with Scotia Bank and the costs are in line with the existing facility.

## Revenue and Dividends

Japanese companies often have stronger balance sheets than many of their international counterparts; nonetheless it cannot be assumed that dividends will be maintained. Prior year dividends should not therefore be taken as a guide to future payments.

For the year ended 30th September 2021 we paid a dividend of 5.3p per share on 28th January 2022, reflecting the available revenue for distribution. Consistent with previous years, the Company will not be declaring an interim dividend.

## Discount Management/share repurchases

The Board monitors the discount to NAV at which the Company's shares trade and believes that, over the long-term, for the Company's shares to trade close to NAV the focus has to remain on consistent, strong

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

investment performance over the key one, three and five year timeframes, combined with effective marketing and promotion of the Company.

The Board recognises that a widening of, and volatility in, the Company's discount is seen by some investors as a disadvantage of investment trusts. The Board has restated its commitment over the long run to seek a stable discount or premium commensurate with investors' appetite for Japanese equities and the Company's various attractions, not least the quality of the investment team and the investment process, and the strong long-term performance these have delivered. Since 2020, this commitment has resulted in both increased marketing spend and a series of targeted buybacks.

As of 31st March the discount was -6.0%, compared to -6.8% at the end of 30th September 2021.

Over the six month period to 31st March 2022, the Company's share price ranged from a +2.7% premium to a -9.5% discount (average discount: -4.9%) and the Company repurchased 746,945 shares at an average discount of -7.0% at a cost of £4.65 million.

Since 31st March 2022, the Company has repurchased a further 225,000 shares at an average discount of 6.5% at a cost of £1.08 million.

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

### Environmental, Social and Governance Issues

As detailed in the Investment Managers' Report, Environmental, Social and Governance ('ESG') considerations are fully integrated into their investment process. The Board shares the Investment Managers' view of the importance of ESG factors when making investments for the long-term and the necessity of continued engagement with investee companies over the duration of the investment.

Further information on JPMorgan's ESG process and engagement is set out in the ESG Report on pages 16 to 18 and in the JPMorgan Asset Management 2021 Investment Stewardship Report which can be accessed at <https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/sustainable-investing/investment-stewardship-report.pdf>.

### The Board

As outlined in the 2021 Annual Report, the Board undertook a recruitment process to find a replacement Director to join the Board following Yoko Dochi's resignation in October 2021 for personal reasons. Accordingly, the Board announced the appointment of Anna Dingley as a non-executive director of the Company with effect from 13th January 2022.

Anna brings to the Board a wealth of experience following a 25-year career spanning technology, finance and government sectors. She has lived and worked extensively in Japan for 8 years over her career. Her fluent Japanese, a deep understanding of Japanese culture and business relationships will greatly benefit the Board. She is the only foreign non-executive director at Nihon M&A Center Holdings Inc. (listed in Tokyo).

### Outlook

The Investment Managers have set out their views on the outlook for markets and your Company on pages 14 and 15 of the Investment Managers' report.

In a notable speech in London on 5th May 2022, Japanese Prime Minister Kishida emphasised his strong personal commitment to further economic and governance reforms, increased investment and wages, more entrepreneurialism, increased R&D, national strategies for specific new technologies, and his 'earnest wish to create the next start-up boom in Japan'. The full text can be found at [https://japan.kantei.go.jp/101\\_kishida/statement/202205/\\_00002.html](https://japan.kantei.go.jp/101_kishida/statement/202205/_00002.html).

The Board is greatly encouraged that these clear intentions, coupled with Japan's political stability, should provide a supportive environment for new growth and significantly accelerate the availability and quantity of interesting investment opportunities for your Company.

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

**Christopher Samuel**  
Chairman

19th May 2022





**Nicholas Weindling**  
Investment Manager



**Miyako Urabe**  
Investment Manager

**We look for high quality, innovative businesses with a competitive advantage, free cash flow, robust balance sheets, sustainable margins and strong management.**

## Performance

For the six months ended 31st March 2022, the Company returned -24.2% on a net asset basis (NAV) in sterling terms, underperforming its benchmark, the TOPIX index, by 15.5 percentage points.

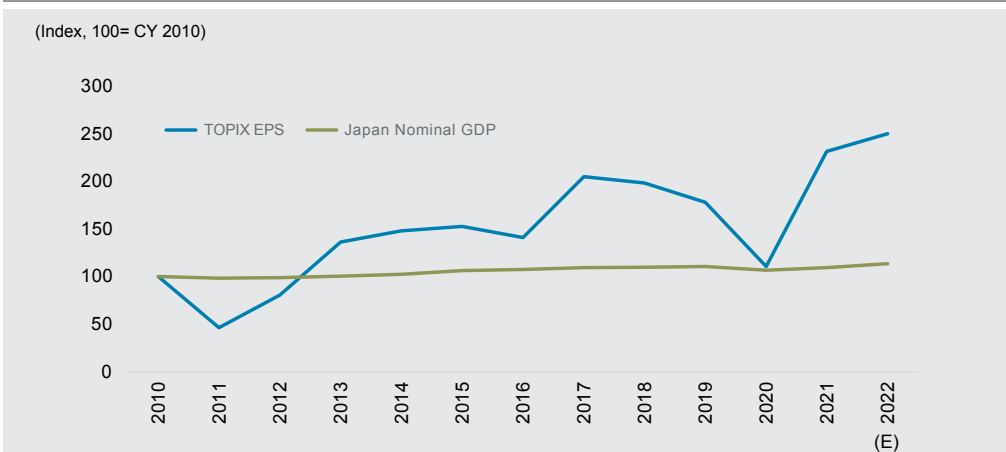
This near-term performance is disappointing, but is the result of the same quality and growth focus in its holdings that has underpinned the Company's long-term record of strong absolute returns and outperformance. Over the ten years to end-March 2022, the Company delivered an annualised return of 12.1% (on an NAV basis), decisively outpacing the benchmark's annualised total return of 8.5%. The Company's long-term share price performance has been even stronger.

## Economic and market backdrop

The Japanese economy grew by 1.6% during 2021, a much more tentative recovery than the post-pandemic rebound experienced by other major economies, but it is, at least, starting to normalise. Manufacturing production has risen for fifteen consecutive months and service sector activity is showing early signs of expansion and corporate earnings are solid. A programme of booster vaccines is proceeding well, and most Covid restrictions have been lifted. Although Japan remains closed to tourists, it is only a matter of time before remaining restrictions are lifted. Meantime, retail sales are still weak and consumer sentiment is fragile. Historically, there has been little correlation between the Japanese economy and earnings growth. Earnings have grown close to 250% over the last ten years while GDP has been flat.

## Investing in Japanese equities is not investing in the Japanese economy

TOPIX EPS, Japan Nominal GDP CY 2010 - CY 2022 (Estimate)



Sources: J.P. Morgan Asset Management, Bloomberg, IMF, as at 31st October 2021.

The worst of the Covid threat may have receded since our last report but two new, and equally unwelcome, developments dominated financial markets in the six months to end-March 2022 – rising inflation and Russia's invasion of Ukraine. Even before the tragic events in Ukraine, rising energy and commodity prices, combined with supply chain disruptions, especially in the semiconductor industry, had driven inflation to thirty-year highs in the US and other major economies. The Ukraine conflict is exacerbating upward price pressures, including on soft commodities, as Ukraine is one of the world's largest grain producers. As a result, investors' fears of rising interest rates have begun to be realised in some major markets. The Bank of England embarked on a series of rate increases beginning in December 2021 and the US Federal Reserve followed suit in March 2022, accompanying the hike with a clear signal that it will take further tightening steps in coming months.

Compared with other markets, Japan remains different in several respects, notably in its low inflation rate (0.8% in the 12 months to March vs 8.5% in the US) and in the maintenance of very low interest rates by the Bank of Japan. Nevertheless the markdown in growth stocks which has characterised global markets

**We believe the higher-than-average portfolio PE multiple versus the market is justified by the significantly better long-term prospects of the companies that we hold, compared to others in traditional sectors represented in the index.**

has fed across into Japan, while interest rate differentials have caused a weakening of the yen and therefore in the sterling valuation of our portfolio.

The Japanese yen has been one of the weakest currencies in the world this year. The yen has weakened due to a difference in monetary policy between the US and Japan. The US is hiking interest rates in response to rising inflation while Japanese policy remains ultra easy as inflation is at a much lower level. We see few signs of 'sticky' inflation in Japan such as rising rents or wages and, in contrast to the US, there is little need to shift policy. While the weak yen is good for the profits of companies that export it is negative for the average person. Salaries and pensions remain stable while the price of essential items such as gasoline, energy and food is increasing particularly in yen terms. This is likely to hurt the Japanese economy overall. While it is not impossible that monetary policy changes, particularly as the current Bank of Japan governor is due to retire next year, we do not currently expect interest rate hikes. Regardless of inflation or the level of the yen we believe the high quality companies in the portfolio are able to cope with the environment and will ultimately be able to reflect these changes in pricing.

### **Our investment philosophy and process**

We adopt a bottom-up, unconstrained approach focused on individual listed stocks. We look for high quality, innovative businesses with a competitive advantage, free cash flow, robust balance sheets, sustainable margins and strong management, which we believe have the potential for earnings growth over the long-term. Typically we do not hold many of the well-known names covered by most analysts and included in the market index (which comprises many larger companies operating in structurally impaired sectors vulnerable to long-term declines in demand). Instead we may hold small and medium sized businesses, less well covered by other analysts and thus less known to investors.

We are supported in our search for such companies by JPMorgan Asset Management's well-resourced investment team on the ground in Tokyo, which is ideally placed to identify interesting companies and investment opportunities overlooked by other investors.

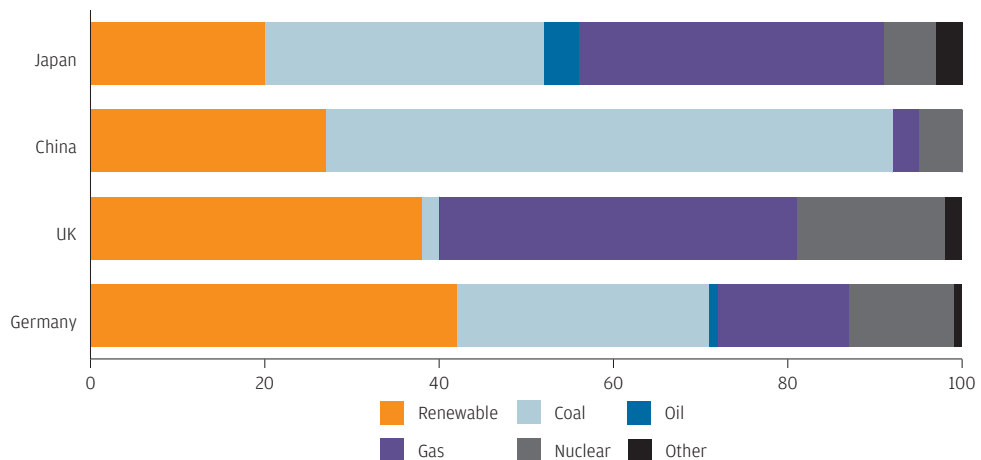
We assign a classification to each company, based on a number of metrics, with 'Premium' being the highest rating, followed by 'Quality' and 'Trading'. Our focus on quality and growth, combined with our unconstrained approach, means that the portfolio can, and does, look very different from the benchmark. As at end-March 2022, it had an active share of 93% (on a geared basis). Our bias towards Premium and Quality companies also results in a portfolio that is higher quality than the market. At the end of the review period the ROE (return on equity) of the companies in the portfolio was 16% compared to a 10% ROE for the market. Their operating margin was 23%, versus 12% for the index, while the price to earnings (PE) ratio was 25x, compared to an index PE of 12.5x. The portfolio's PE has declined substantially from a year ago, when the PE was 37x (and 33x at end of September 2021). This was a result of rising global interest rate expectations in the face of rising inflation expectations. We believe the higher-than-average portfolio PE multiple versus the market is justified by the significantly better long-term prospects of the companies that we hold, compared to others in traditional sectors represented in the index.

### **Portfolio themes**

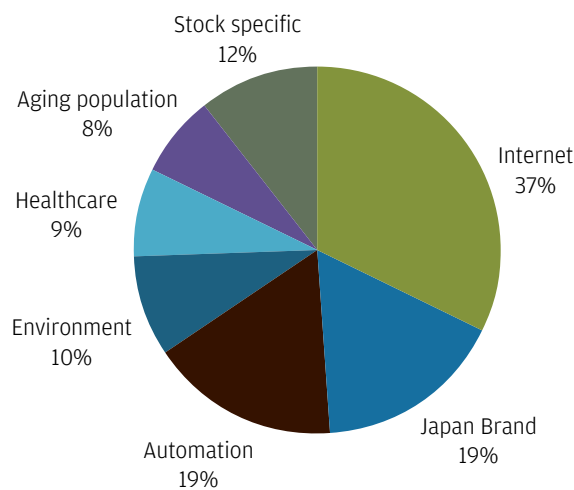
Although the portfolio is constructed on a bottom-up stock selection basis, we do find certain general areas of the economy particularly interesting. One key, and pervasive, investment theme is the adoption of digital technology. The onset of the pandemic accelerated many digital trends such as the rising popularity of online shopping and gaming, cashless payments and cloud computing. However, this theme still has a very long way to run, as Japan's take-up of digitisation across many sectors continues to lag that of other countries. For example, e-commerce still represents just over 10% of total Japanese retail sales, a small fraction of the market penetration already realised in other major economies such as China, the US, the UK and South Korea. So companies such as portfolio holding ZOZO, Japan's number one online apparel retailer, and MonotaRO, the country's top business to business e-commerce company, have scope for further significant expansion.

Suppliers of software solutions also have great potential for future growth. Historically, many Japanese companies used software solutions tailored to their specific requirements by in-house engineers. Now that this first generation of software engineers is starting to retire, a lack of skilled replacements has made it imperative for businesses to switch to standardised, cloud-based software provided by companies such as Obic, the IT service provider, Bengo4.com, Japan's leading digital signature provider, and tele-medicine company, Medley, are other examples of portfolio holdings benefitting from the digitisation of a variety of services.

**Power Generation Mix (CY 2019)**



Japan is only at the beginning of its transition to renewable energy and the long process of digitisation, but these trends are already spawning many exciting new businesses, especially in the small and mid-cap space.



Associated increases in demand for data processing and storage will support the long-term outlook for several portfolio holdings. Companies like Tokyo Electron, a semiconductor equipment supplier and Shin-Etsu Chemical, a producer of specialist industrial materials, should benefit from the trend towards vehicle automation, while businesses in all sectors impacted by rapid digitisation may require the services of Nomura Research Institute (NRI), a consultancy which advises companies on their digital strategy.



**The recent sell-off in growth names has generated opportunities to increase our exposure to some Premium and Quality rated names at more attractive levels.**

Automation is another tech-related investment theme. A structural increase in demand for automation is underpinned by several factors. Persistent US/China trade tensions, delays to the delivery of many manufacturing components and the war in Ukraine are all encouraging companies to shorten their supply chains by building new production sites nearer to their customers. This is creating an opportunity for businesses to introduce greater levels of automation to their manufacturing and supply processes. In many economies, rising wage inflation is also strengthening the case for the use of robotics in factories and warehouses. Some of the world's leading factory automation companies, including Keyence, SMC and MISUMI are listed in Japan and are among our portfolio holdings.

Japan's transition to renewable energy is another important investment theme. Japan has committed to carbon neutrality (net zero) by 2050. However, it is presently highly reliant on imported fossil fuels. The outbreak of war in Ukraine and the resultant surge in energy price has highlighted the need for Japan to speed up its transition to more secure, and sustainable, energy sources. Investments driven by this theme include our holdings in Japan's leading solar energy REIT, Canadian Solar Infrastructure, and in several companies whose products help reduce energy usage. For example Daikin Industries makes ultra-efficient air conditioners, while Shimano is a global market leader in the production of components for bicycles and e-bicycles.

Relatively, Japan is only at the beginning of its transition to renewable energy and the long process of digitisation, but these trends are already spawning many exciting new businesses, especially in the small and mid-cap space. These growth-oriented companies are likely to gather momentum over time and provide resilient, long-term sources of return for investors.

### **Significant contributors and detractors to performance**

Our focus on quality and growth companies took a short-term toll on the Company's performance in the six months to end-March 2022. Our Japanese growth holdings were subject to the same revaluation pressures as their counterparts in other markets, even though we do not expect significantly higher interest rates in Japan, and despite the fact that the long-term outlook for these companies has not deteriorated. Indeed, as discussed above, their prospects are improving materially as a result of the long-term structural shifts underway across the Japanese economy.

Performance over the review period was also adversely impacted by the outperformance of some economically-sensitive sectors, such as financials, which we do not own. Just as we view the sell-off in Japanese growth stocks as unjustified, we also believe the outperformance of Japanese banks is not supported by fundamentals. With economic growth set to remain modest, a significant pick-up in loan demand seems unlikely. Furthermore, Japan's banking sector remains highly competitive, while returns on equity are low (currently 6%) and look set to remain so.

Portfolio holdings worst hit by market revaluations over the review period include Keyence, along with Benefit One and Recruit which both provide employment and business services. These are all Premium rated companies that continue to post strong results, so we expect their recent sell-offs to prove transitory, and all remain in the portfolio.

Our holdings in other quality growth names such as Lasertec, a semiconductor producer also hurt performance, while Nihon M&A Center detracted for stock-specific reasons. This company provides mergers and acquisition-related services to companies in Japan and globally. Its share price fell sharply late last year after it announced an investigation into some accounting irregularities over the last few years, which had the effect of artificially enhancing sales revenues in some periods. The issue has now been resolved and the company has announced measures to prevent a re-occurrence of this problem. While growth may be somewhat lower in the future, in our view the company's long-term opportunities remain positive. We continue to hold the stock.

At the end of the review period, gearing stood at 12.5%, lower than the average level of 13.5% over the review period. This reflects our conviction in the near-term outlook for the market and portfolio. However, gearing detracted from performance during the review period.

The detrimental performance impact of these developments was partially offset by positive contributions from several holdings, including Nintendo and Tokyo Electron, which benefited from a particularly strong set of results. MonotaRO also enhanced returns after it announced a significant expansion in capacity. We have since taken some profits on our positions in both Tokyo Electron and MonotaRO.

### Portfolio activity

The recent sell-off in growth names has generated opportunities to increase our exposure to some Premium and Quality rated names at more attractive levels. For example, we have opened a position in Nippon Sanso, Japan's leading provider of industrial gases. We expect an improvement in this company's profitability thanks to a new management team at its parent company, Mitsubishi Chemical. We added exposures to Nippon Paint – the number one consumer paint company in Japan and China – and to JSR, a specialist chemicals producer which is the world leader in a range of electronic materials. We bought Kissei Pharmaceutical, a small company with three new drugs approaching approval and a very strong balance sheet, along with Tokio Marine, Japan's number one property and casualty insurance company. Tokio has a large US business and an attractive dividend policy.

In addition to these new acquisitions, we also added to existing positions in Shin-Etsu Chemical, as the company announced a significant improvement in its dividend pay-out policy. We also like the fact that this company has the pricing power to pass on higher costs to customers.

These acquisitions were funded by a number of partial sales, including profit-taking on Tokyo Electron and MonotaRO (mentioned above). We also took some profits on positions in Recruit, Lasertec and M3, a provider of online medical information, which had all risen substantially in value since acquisition.

We also closed a number of positions, including exposures to several companies facing increased competition. For instance, we sold Hennge, a software infrastructure supplier, Giftee, an online gifting company, and Pigeon, a provider of mother and baby products facing increasing competition in its key China business. We also exited positions in Mercari, a consumer-to-consumer e-commerce site, due to rising competition in the US and slowing domestic growth, and in Modalis Therapeutics, due to disappointing progress with the development of its drug pipeline.

With some regret we also sold Renova, a leading player in Japan's renewable energy market, following its failure to secure an offshore wind contract in circumstances where price competition raised serious questions about the viability of the sector.

In all, portfolio turnover at end-March 2022 was 18% on an annualised basis, with over 50% of the portfolio held continuously for over five years. At the end of the review period, the portfolio held 60 stocks, compared to 63 at 30th September 2021. None of the Company's portfolio holdings had significant exposure to either Russia or Ukraine.

### Outlook

Japan's post pandemic recovery is likely to remain relatively subdued compared to other major economies. The war in Ukraine will have an inevitable adverse impact on activity. Japan procures less than 10% of its liquefied natural gas imports from Russia, so it is better placed in terms of energy security than many European countries that rely heavily on Russian oil and gas. Japan also has little other direct trade with Russia and Ukraine. Consumers will, however, feel the indirect effects, especially through rising energy prices, as Japan has almost no gas, oil or coal of its own, and the production of energy from renewable sources such as solar and wind remains in its infancy. Import price rises will be compounded by the weaker yen, although on the positive side, the lower yen will boost export receipts.

But unlike the case in most other major nations, inflation should not be a significant concern in Japan. Although prices have begun to rise due to rising energy and material costs, there has been no significant

increase in property rents, and despite a tight labour market, wage growth remains low. In this environment, rises in energy and other prices may prove to be mostly one-offs, that do not feed through into higher wage demands and long-term inflation expectations.

Despite some inevitable short-term uncertainties, we are positive about the longer-term outlook for Japan. The country is in the process of a major technological transformation that should deliver growth and substantial productivity gains over time. Moreover, Japan's Prime Minister Fumio Kishida, who was elected in September 2021, remains very popular and we expect Japan's political landscape to remain stable for the foreseeable future, while improvements in Japan's corporate governance continue.

We therefore maintain our positive view on the long-term prospects for Japanese growth stocks and the themes that guide our investment decisions. Indeed, just as Covid accelerated the pace of change in some areas, such as e-commerce and digitalisation, so too have recent developments accelerated other trends. For example, energy price rises have made the transition to renewable energy more urgent, while mounting wage pressures have in some major economies boosted the demand for automation.

This is an ideal environment for Japan's many dynamic, innovative, quality businesses, especially those in the small and mid-cap space. We seek out the very best of these investment opportunities, at the heart of Japan's new growth. The recent market sell-off has made many of these opportunities available at more attractive prices. We have therefore increased the combined weight of Premium and Quality stocks to reflect this. The high quality companies we own have strong balance sheets, leading competitive positions and are often number one in their respective industries, in Japan or internationally. They have demonstrated pricing power over many years, and we believe they are capable of prospering, over the long-term, regardless of the macroeconomic environment.

Our approach means the portfolio typically has a high active share which means it often looks very different to the benchmark. This inevitably leads to some volatility in relative performance, as we have seen over the review period. However, over the last ten years, the strategy has generated returns well in excess of the benchmark, and we remain confident in the portfolio's ability to continue to outperform the benchmark over the long-term.

**Nicholas Weindling**  
**Miyako Urabe**  
*Investment Managers*

19th May 2022

## Environmental, Social and Governance Report ('ESG')

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

### Background

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

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

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

### ESG Engagement

The starting point from which we engage with the companies in which we invest is strong. We are typically large shareholders; we have a reputation for being long-term partners; and our engagements are underpinned by in depth research from a large, well-resourced analyst team. We aim to bring together our sizeable internal research resources and our specialist sustainability team to ensure we pursue a coherent agenda, based on consistent principles.

### Recent Corporate Engagement

Working closely with 31 colleagues in London, New York and Hong Kong, the Sustainable Investing team and investment team in Japan conducted 17 engagements with 14 portfolio companies on 33 themes in the six months to 31st March 2022 specifically to discuss ESG issues. The engagements were broken down as follows:

ESG theme	%
Human Capital Management	24.2%
Executive pay	18.2%
Climate change	15.2%
Governance	15.2%
Natural resource and ecosystems	12.1%
Social stakeholder management	12.1%
Business conduct	3.0%

Specific topics covered in ESG discussions included board diversity and structure. We focused on gender diversity of the board and measures taken by the company to promote the active participation of women in the workplace, including setting medium-term targets to increase women in managerial positions. In previous reports we stated that we were introducing criteria in our voting guidelines for female representation on boards; these took effect in April 2022.

**We advocate for robust corporate governance and for sustainable business practices to support long-term value creation.**

Amongst our holdings, there were some positive outcomes in this regard: Cosmos Pharmaceutical appointed female directors for the first time, with Daikin Industries appointing a new independent female director. However, we continue to engage with Shin-Etsu Chemical as we have over a number of years. The company agrees with us that gender diversity on boards is necessary but are still searching for a good female candidate. We will monitor progress at investee companies at their 2022 AGMs and continue our efforts in this area.

If we are not satisfied with either a company's responsiveness or strategy, we will seek to meet with the Chairman, lead independent or other independent director(s), or express our concerns through the company's advisers. We may also use our proxy votes to try and bring about management change. We may also simply sell out of a stock completely if we feel that is in the best interests of our clients.

## Examples of Specific Recent ESG Engagements

### Environmental

**Tokio Marine** is a non-life insurer and one of the few financial companies in Japan to be rated as Quality by our analyst. Having voted against the appointment of two directors we felt were not sufficiently independent in the June 2020 AGM, our Head of Investment Stewardship met the company in October to address a broad range of sustainability issues.

As the company's business is focused on property and casualty insurance, it has high exposure to climate risk. Tokio Marine has been carbon neutral in its operations for the last seven years and we believe they are a leader in climate related disclosure. In September, the company announced their climate strategy whereby they will stop providing new underwriting and financing to coal-fired power generation. However, we have asked Tokio Marine to limit exceptions and consider bringing existing contracts in scope.

### Social

We met with **Milbon** to discuss workplace and board diversity. In 2021 the company appointed a female outside board director for the first time in its history. While the percentage of female employees over the last 10 years has increased from 42% in 2011 to 60% in 2021, the percentage of female managers over this period has only increased from 4% to 13%. The company acknowledges that there are still many challenges and has implemented two-year leadership training programmes for selected mid-career employees. On average a fifth of participants on each programme were female. The company also acknowledges the need for more overseas employees at senior management levels. We will continue to encourage the company to make progress in workplace and board diversity.

### Governance

We discussed board composition and executive compensation with **Fast Retailing** in October. We emphasised the significance of ensuring transparency in the board member selection process through the disclosures of information such as expectations and required skills, as well as the importance of increasing accountability for the nomination/compensation committee. We also engaged with them on executive compensation, noting that mid-term targets for extra remuneration were not sufficiently clear or ambitious. We recommended that they increase disclosure of the Key Performance Indicators for executive compensation and redesign mid-to long-term targets to be more material. We will continue to keep this under review.

## Voting for the six months to 31st March 2022

The Company voted at all of the 24 annual general meetings and two extraordinary general meetings of investee companies held during the six months to 31st March 2022. The majority of Japanese proxy voting activity takes place in the second calendar quarter, during a very concentrated AGM 'season' in June, and this will be reported in the Company's Annual Report.

A summary of key voting statistics and activity undertaken in respect of stocks in the Company's portfolio for the six months to 31st March 2022 is detailed below.

Major reasons for votes being cast against management included candidates for external directors lacking in independence; boards with less than one third independence; insufficient shareholder return at companies generating strong free cash flow; and stock options granted to outsiders or without sufficient vesting periods. We noted a significant increase in proposals asking to amend articles of association to enable the introduction of virtual-only shareholder meetings following the amendment of the Companies Act in 2021 regarding the status of 'shareholder meeting without a designated location'. Among these proposals, we did not support virtual-only AGMs that would inhibit equal shareholder access to senior management.

	For	Against	Abstain	Against/ Abstain Total	Total Items	% Against
Election of Directors	134	24	0	24	158	15.2%
Election of Statutory Auditors	13	0	0	0	13	0.0%
Director Remuneration	16	6	0	6	22	27.3%
Income Allocation	7	4	0	4	11	36.4%
Reorganisation and Mergers	1	0	0	0	1	0.0%
Amendment to articles of association	20	1	0	1	21	4.8%
Ratify auditors	1	0	0	0	1	0.0%
Approve Reduction in Share Capital	3	0	0	0	3	0.0%
<b>TOTAL</b>	<b>195</b>	<b>35</b>	<b>0</b>	<b>35</b>	<b>230</b>	<b>15.2%</b>

### 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 2022 (and for 31st March 2021 in brackets). The increase compared to last year is primarily due to the new purchases of Hitachi, Nippon Sanso and JSR and the increase in Company's holding of Shin-Etsu Chemical.

	Carbon Emissions tons CO2e / \$M invested	Carbon Intensity tons CO2e / \$M sales	Weighted Average Carbon Intensity tons CO2e / \$M sales
<b>Portfolio</b> % of portfolio covered by data	<b>19.4 (7.6)</b> 98.5% (98.5%)	<b>53.5 (34.4)</b> 98.5% (98.5%)	<b>48.8 (32.6)</b> 98.5% (98.5%)
<b>Index</b> % of index covered by data	<b>195.6 (195.3)</b> 99.5% (99.4%)	<b>164.4 (180.7)</b> 99.5% (99.4%)	<b>95.6 (92.2)</b> 99.5% (99.4%)

Source: MSCI ESG Carbon Footprint Calculator. Gives Scope 1 and 2 emissions.

JPMorgan Asset Management (Japan) Limited

19th May 2022



## Stock Market Sector Analysis

		31st March 2022		30th September 2021	
TOPIX Sector		Portfolio	Benchmark	Portfolio	Benchmark
		% <sup>1</sup>	%	% <sup>1</sup>	%
Processing	Electric Appliances				
	Glass & Ceramics Products				
	Information & Communication				
	Machinery				
	Other Products				
	Precision Instruments				
	Rubber Products				
	Services				
	Transportation Equipment				
	Wholesale Trade				
		75.6	58.4	83.2	57.5
Consumer	Foods				
	Pharmaceutical				
	Retail Trade				
	Fishery, Agriculture & Forestry				
	Textiles & Apparels				
		8.7	12.9	8.3	13.7
Basic	Chemicals				
	Metal Products				
	Nonferrous Metals				
	Iron & Steel				
	Oil & Coal Products				
	Pulp & Paper				
		7.5	9.3	3.6	9.8
Financial	Banks				
	Insurance				
	Other Financing Business				
	Securities & Commodity Futures				
		5.8	9.4	2.2	8.9
Assets	Construction				
	Real Estate				
		2.4	4.2	2.0	4.3
Utilities	Air Transportation				
	Electric Power & Gas				
	Land Transportation				
	Marine Transportation				
	Warehousing & Harbor Transportation Services				
	Mining				
		—	5.8	0.7	5.8
Total		100.0	100.0	100.0	100.0

<sup>1</sup> Based on the total portfolio investments of £971.2m (2021: £1,300.9m).

## LIST OF INVESTMENTS

AT 31ST MARCH 2022

Company	Valuation £'000	Company	Valuation £'000	Company	Valuation £'000
<b>PROCESSING</b>		<b>PROCESSING – CONT</b>		<b>BASIC</b>	
<i><b>Electric Appliances</b></i>		<i><b>Precision Instruments</b></i>		<i><b>Chemicals</b></i>	
Keyence	71,922	Hoya	57,975	Shin-Etsu Chemical	45,409
Sony	52,431	Terumo	15,774	JSR	8,679
Tokyo Electron	46,187	Asahi Intecc	7,509	Nippon Sanso	8,570
Hitachi	24,948	Nakanishi	5,303	Milbon	7,417
Systemex	6,409		<b>86,561</b>	Nippon Paint	3,202
Lasertec	2,900				<b>73,277</b>
	<b>204,797</b>	<i><b>Machinery</b></i>		<b>TOTAL BASIC</b>	
		SMC	34,922	<b>73,277</b>	
<i><b>Information &amp; Communication</b></i>		Daikin Industries	21,623	<b>FINANCIAL</b>	
Nomura Research Institute	36,515	Miura	14,588	<i><b>Insurance</b></i>	
Obic	36,027	Yamashin-Filter	3,135	Tokio Marine	37,779
GMO Payment Gateway	19,074		<b>74,268</b>	LIFENET INSURANCE	840
Digital Garage	11,760				<b>38,619</b>
Capcom	9,101	<i><b>Other Products</b></i>		<i><b>Other Financing Business</b></i>	
Square Enix	8,542	Nintendo	34,725	Japan Exchange	14,757
Freee	7,200	Asics	20,740		<b>14,757</b>
Otsuka	7,191		<b>55,465</b>	<i><b>Securities &amp; Commodity Futures</b></i>	
Money Forward	6,348	<i><b>Wholesale Trade</b></i>		WealthNavi	2,856
Rakusl	5,267	As One	11,848		<b>2,856</b>
Minkabu The Infonoid	5,074	MISUMI	10,420	<b>TOTAL FINANCIAL</b>	
Medley	4,042		<b>22,268</b>	<b>56,232</b>	
Yappli	2,583	<i><b>Transportation Equipment</b></i>		<b>ASSETS</b>	
SpiderPlus	2,061	Shimano	18,763	<i><b>Real Estate</b></i>	
	<b>160,785</b>		<b>18,763</b>	Nippon Prologis REIT	18,536
<i><b>Services</b></i>		<b>TOTAL PROCESSING</b>	<b>734,320</b>	Canadian Solar Infrastructure Fund	4,804
Recruit	40,623	<b>CONSUMER</b>			<b>23,340</b>
Nihon M&A Center	14,727	<i><b>Retail Trade</b></i>		<b>TOTAL ASSETS</b>	
Benefit One	11,669	MonotaRO	31,807	<b>23,340</b>	
CyberAgent	8,557	ZOZO	21,567	<b>TOTAL INVESTMENTS</b>	
M3	8,549	Fast Retailing	14,912	<b>971,236</b>	
Riso Kyoiku	7,490	Cosmos Pharmaceutical	7,053	The portfolio comprised only equity investments.	
Rakuten	6,344		<b>75,339</b>		
Japan Elevator Service	5,960	<i><b>Pharmaceutical</b></i>			
Infomart	5,534	Kissei Pharmaceutical	5,820		
Bengo4.com	1,960	Healios	2,908		
	<b>111,413</b>		<b>8,728</b>		
		<b>TOTAL CONSUMER</b>	<b>84,067</b>		

## Financial Statements

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# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE SIX MONTHS ENDED 31ST MARCH 2022

	(Unaudited) Six months ended 31st March 2022			(Unaudited) Six months ended 31st March 2021			(Audited) Year ended 30th September 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss <sup>1</sup>	–	(288,357)	(288,357)	–	(17,008)	(17,008)	–	89,356	89,356
Net foreign currency gains <sup>2</sup>	–	7,163	7,163	–	17,879	17,879	–	16,117	16,117
Income from investments	6,719	–	6,719	6,119	–	6,119	11,452	–	11,452
Other interest receivable and similar income	357	–	357	958	–	958	1,551	–	1,551
<b>Gross return/(loss)</b>	<b>7,076</b>	<b>(281,194)</b>	<b>(274,118)</b>	<b>7,077</b>	<b>871</b>	<b>7,948</b>	<b>13,003</b>	<b>105,473</b>	<b>118,476</b>
Management fee	(283)	(2,550)	(2,833)	(603)	(2,413)	(3,016)	(1,186)	(4,744)	(5,930)
Other administrative expenses	(482)	–	(482)	(393)	–	(393)	(846)	–	(846)
<b>Net return/(loss) before finance costs and taxation</b>	<b>6,311</b>	<b>(283,744)</b>	<b>(277,433)</b>	<b>6,081</b>	<b>(1,542)</b>	<b>4,539</b>	<b>10,971</b>	<b>100,729</b>	<b>111,700</b>
Finance costs	(61)	(549)	(610)	(131)	(524)	(655)	(295)	(1,179)	(1,474)
<b>Net return/(loss) before taxation</b>	<b>6,250</b>	<b>(284,293)</b>	<b>(278,043)</b>	<b>5,950</b>	<b>(2,066)</b>	<b>3,884</b>	<b>10,676</b>	<b>99,550</b>	<b>110,226</b>
Taxation	(671)	–	(671)	(608)	–	(608)	(1,140)	–	(1,140)
<b>Net return/(loss) after taxation</b>	<b>5,579</b>	<b>(284,293)</b>	<b>(278,714)</b>	<b>5,342</b>	<b>(2,066)</b>	<b>3,276</b>	<b>9,536</b>	<b>99,550</b>	<b>109,086</b>
<b>Return/(loss) per share (note 3)</b>	<b>3.56p</b>	<b>(181.58)p</b>	<b>(178.02)p</b>	<b>3.35p</b>	<b>(1.29)p</b>	<b>2.06p</b>	<b>5.99p</b>	<b>62.54p</b>	<b>68.53p</b>

<sup>1</sup> Includes foreign currency gains or losses on investments.

<sup>2</sup> Foreign currency gains are due to yen denominated loan notes and bank loans.

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

The net return/(loss) after taxation represents the profit for the period and also the total comprehensive income/(expense).

## STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX MONTHS ENDED 31ST MARCH 2022

	Called up share capital £'000	Capital redemption reserve <sup>1</sup> £'000	Other reserve <sup>1</sup> £'000	Capital reserves <sup>1</sup> £'000	Revenue reserve <sup>1</sup> £'000	Total £'000
<b>Six months ended 31st March 2022</b>						
<b>(Unaudited)</b>						
<b>At 30th September 2021</b>	<b>40,312</b>	<b>8,650</b>	<b>166,791</b>	<b>923,650</b>	<b>15,141</b>	<b>1,154,544</b>
Repurchase of shares into Treasury	—	—	—	(4,580)	—	(4,580)
Net (loss)/return	—	—	—	(284,293)	5,579	(278,714)
Dividend paid in the period (note 4)	—	—	—	—	(8,295)	(8,295)
<b>At 31st March 2022</b>	<b>40,312</b>	<b>8,650</b>	<b>166,791</b>	<b>634,777</b>	<b>12,425</b>	<b>862,955</b>
<b>Six months ended 31st March 2021</b>						
<b>(Unaudited)</b>						
<b>At 30th September 2020</b>	<b>40,312</b>	<b>8,650</b>	<b>166,791</b>	<b>842,661</b>	<b>13,750</b>	<b>1,072,164</b>
Repurchase of shares into Treasury	—	—	—	(1,653)	—	(1,653)
Net (loss)/return	—	—	—	(2,066)	5,342	3,276
Dividend paid in the period (note 4)	—	—	—	—	(8,145)	(8,145)
<b>At 31st March 2021</b>	<b>40,312</b>	<b>8,650</b>	<b>166,791</b>	<b>838,942</b>	<b>10,947</b>	<b>1,065,642</b>
<b>Year ended 30th September 2021</b>						
<b>(Audited)</b>						
<b>At 30th September 2020</b>	<b>40,312</b>	<b>8,650</b>	<b>166,791</b>	<b>842,661</b>	<b>13,750</b>	<b>1,072,164</b>
Repurchase of shares into Treasury	—	—	—	(18,561)	—	(18,561)
Net return	—	—	—	99,550	9,536	109,086
Dividend paid in the year (note 4)	—	—	—	—	(8,145)	(8,145)
<b>At 30th September 2021</b>	<b>40,312</b>	<b>8,650</b>	<b>166,791</b>	<b>923,650</b>	<b>15,141</b>	<b>1,154,544</b>

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

As at 31st March 2022, the £634,777,000 Capital reserves are made up of net gains on the sale of investments of £414,247,000, a gain on the revaluation of investments still held of £205,935,000 and an exchange gain on the foreign currency loans of £14,595,000. The £14,595,000 of Capital reserves arising on the exchange gain on the foreign currency loan is not distributable. The remaining amount of Capital reserves totaling £620,182,000 is subject to fair value movements, may not be readily realisable at short notice and as such may not be entirely distributable.

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

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

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

## STATEMENT OF FINANCIAL POSITION

### AT 31ST MARCH 2022

	(Unaudited) 31st March 2022 £'000	(Unaudited) 31st March 2021 £'000	(Audited) 30th September 2021 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	971,236	1,200,922	1,300,867
<b>Current assets</b>			
Debtors	5,838	3,671	8,402
Cash and cash equivalents	9,099	18,183	8,299
	14,937	21,854	16,701
<b>Creditors:</b> amounts falling due within one year	(42,346)	(211)	(3,999)
<b>Net current (liabilities)/assets</b>	<b>(27,409)</b>	<b>21,643</b>	<b>12,702</b>
<b>Total assets less current liabilities</b>	<b>943,827</b>	<b>1,222,565</b>	<b>1,313,569</b>
<b>Creditors:</b> amounts falling due after more than one year	(80,872)	(156,923)	(159,025)
<b>Net assets</b>	<b>862,955</b>	<b>1,065,642</b>	<b>1,154,544</b>
<b>Capital and reserves</b>			
Called up share capital	40,312	40,312	40,312
Capital redemption reserve	8,650	8,650	8,650
Other reserve	166,791	166,791	166,791
Capital reserves	634,777	838,942	923,650
Revenue reserve	12,425	10,947	15,141
<b>Total shareholders' funds</b>	<b>862,955</b>	<b>1,065,642</b>	<b>1,154,544</b>
<b>Net asset value per share (note 5)</b>	<b>552.3p</b>	<b>667.8p</b>	<b>735.5p</b>



## STATEMENT OF CASH FLOWS

## FOR THE SIX MONTHS ENDED 31ST MARCH 2022

	(Unaudited) 31st March 2022 £'000	(Unaudited) 31st March 2021 £'000	(Audited) 30th September 2021 £'000
Net cash outflow from operations before dividends and interest (note 6)	(3,785)	(2,815)	(5,516)
Dividends received	4,554	4,664	9,624
Interest paid	(721)	(760)	(1,456)
<b>Net cash inflow from operating activities</b>	<b>48</b>	<b>1,089</b>	<b>2,652</b>
Purchases of investments	(87,563)	(123,469)	(231,668)
Sales of investments	130,855	136,161	249,509
Settlement of foreign currency contracts	(41)	45	65
<b>Net cash inflow from investing activities</b>	<b>43,251</b>	<b>12,737</b>	<b>17,906</b>
Dividends paid	(8,295)	(8,145)	(8,145)
Drawdown of bank loan	–	10,943	10,943
Repurchase of shares into Treasury	(4,596)	(2,085)	(18,975)
Repayment of bank loan	(29,385)	–	–
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(42,276)</b>	<b>713</b>	<b>(16,177)</b>
<b>Increase in cash and cash equivalents</b>	<b>1,023</b>	<b>14,539</b>	<b>4,381</b>
Cash and cash equivalents at the start of the period	8,299	3,806	3,806
Exchange movements	(223)	(162)	112
Cash and cash equivalents at the end of the period	9,099	18,183	8,299
<b>Increase in cash and cash equivalents</b>	<b>1,023</b>	<b>14,539</b>	<b>4,381</b>
<b>Cash and cash equivalents consist of:</b>			
Cash and short-term deposits	9,099	18,183	8,299

## RECONCILIATION OF NET DEBT

	As at 30th September 2021 £'000	Cash flows £'000	Other non-cash changes £'000	As at 31st March 2022 £'000
<b>Cash and cash equivalents</b>				
Cash	8,299	1,023	(223)	9,099
	8,299	1,023	(223)	9,099
<b>Borrowings</b>				
Debt due within one year	–	29,385	(70,059)	(40,674)
Debt due after one year	(159,025)	–	78,153	(80,872)
	(159,025)	29,385	8,094	(121,546)
<b>Total</b>	<b>(150,726)</b>	<b>30,408</b>	<b>7,871</b>	<b>(112,447)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 31ST MARCH 2022

### 1. Financial statements

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

The information contained within the financial statements in this half year report does not constitute statutory accounts as defined by sections 434 and 436 of the Companies Act 2006 and has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 30th September 2021 are extracted from the latest published financial statements of the Company. The financial statements for the year ended 30th September 2021 have been delivered to the Registrar of Companies including the report of the auditors 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 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 April 2021.

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 31st March 2022.

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 30th September 2021.

### 3. (Loss)/return per share

	(Unaudited) Six months ended 31st March 2022 £'000	(Unaudited) Six months ended 31st March 2021 £'000	(Audited) Year ended 30th September 2021 £'000
(Loss)/return per share is based on the following:			
Revenue return	5,579	5,342	9,536
Capital (loss)/return	(284,293)	(2,066)	99,550
<b>Total (loss)/return</b>	<b>(278,714)</b>	<b>3,276</b>	<b>109,086</b>
Weighted average number of shares in issue	156,568,539	159,712,865	159,166,121
Revenue return per share	3.56p	3.35p	5.99p
Capital (loss)/return per share	(181.58)p	(1.29)p	62.54p
<b>Total (loss)/return per share</b>	<b>(178.02)p</b>	<b>2.06p</b>	<b>68.53p</b>

**4. Dividends paid**

	(Unaudited) Six months ended 31st March 2022 £'000	(Unaudited) Six months ended 31st March 2021 £'000	(Audited) Year ended 30th September 2021 £'000
2021 final dividend paid of 5.3p (2020: 5.1p) per share	8,295	8,145	8,145

The dividend paid in the period has been funded from the revenue reserve (2021: same).

No interim dividend has been declared in respect of the six months ended 31st March 2022 (2021: nil).

**5. Net asset value per share**

	(Unaudited) Six months ended 31st March 2022	(Unaudited) Six months ended 31st March 2021	(Audited) Year ended 30th September 2021
Net assets (£'000)	862,955	1,065,642	1,154,544
Number of shares in issue (excluding shares held in Treasury)	156,233,489	159,583,984	156,980,434
<b>Net asset value per share</b>	<b>552.3p</b>	<b>667.8p</b>	<b>735.5p</b>

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

	(Unaudited) Six months ended 31st March 2022 £'000	(Unaudited) Six months ended 31st March 2021 £'000	(Audited) Year ended 30th September 2021 £'000
Net (loss)/return before finance costs and taxation	(277,433)	4,539	111,700
Add capital loss/(less capital return) before finance costs and taxation	283,744	1,542	(100,729)
Increase in accrued income and other debtors	(1,537)	(796)	(643)
(Decrease)/increase in accrued expenses	(92)	(18)	28
Tax on unfranked investment income	(671)	(608)	(1,140)
Management fee charged to capital	(2,550)	(2,413)	(4,744)
Dividends received	(4,554)	(4,664)	(9,624)
Realised losses on foreign exchange transactions	(692)	(397)	(364)
<b>Net cash outflow from operations before dividends and interest</b>	<b>(3,785)</b>	<b>(2,815)</b>	<b>(5,516)</b>

## 7. Fair valuation of investments

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

	(Unaudited) Six months ended 31st March 2022		(Unaudited) Six months ended 31st March 2021		(Audited) Year ended 30th September 2021	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	971,236	–	1,200,922	–	1,300,867	–
<b>Total</b>	<b>971,236</b>	<b>–</b>	<b>1,200,922</b>	<b>–</b>	<b>1,300,867</b>	<b>–</b>

# Interim Management Report

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

### Principal and Emerging Risks and Uncertainties

The Board believes the principal and emerging risks and uncertainties faced by the Company now fall into the following broad categories:

Market and Economic – including currency; global inflation and global recession.

Trust Specific – underperformance; widening discount; loss of investment team or portfolio manager; outsourcing; cyber crime; loss of investment trust status; statutory and regulatory compliance.

Geopolitical – climate change; natural disasters; social dislocation & conflict.

These risks have been updated to reflect Covid-19, both its potential economic and market impact as well as its potential impact on staff and operating effectiveness. Information on each of these areas is given on pages 30 to 33 of the Strategic Report within the Annual Report and Financial Statements for the year ended 30th September 2021. The Board also notes that the investment strategy pursued by the Manager has proved robust relative to the broader market.

### 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. In particular, the Directors have considered the impact of Covid-19 and believe that this should have a limited financial impact on the Company's operational resources and existence. The Directors believe 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 year financial report. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

### Directors' Responsibilities

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

- (i) the condensed set of financial statements contained within the interim 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 31st March 2022, as required by the UK Listing Authority Disclosure Guidance and Transparency Rule ('DTR') 4.2.4R; and
- (ii) the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

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

**Christopher Samuel**

Chairman

19th May 2022



## Shareholder Information

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## GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES ('APMs')

### Return to shareholders (APM)

Total return to 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	
		31st March 2022	
Opening share price (p)	5	682.0	(a)
Closing share price (p)	5	518.0	(b)
Total dividend adjustment factor <sup>1</sup>		1.007982	(c)
Adjusted closing share price (p) (d = c x b)		522.1	(d)
<b>Total return to shareholders (e = d / a - 1)</b>		<b>-23.4%</b>	<b>(e)</b>

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

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

The Company's debt (senior secured loan notes) is valued in the Statement of Financial Position (on page 25) at amortised cost, which is materially equivalent to the repayment value of the debt on the assumption that it is held to maturity. This is often referred to as 'Debt at Par Value'. The current replacement or market value of the debt, which assumes it is repaid and renegotiated under current market conditions, is often referred to as the 'Debt at Fair Value'.

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

Total return calculation	Page	Six months ended	
		31st March 2022	
Opening cum-income NAV per share with debt at fair value (p)	5	731.7	(a)
Closing cum-income NAV per share with debt at fair value (p)	5	550.8	(b)
Total dividend adjustment factor <sup>1</sup>		1.007738	(c)
Adjusted closing cum-income NAV per share (p) (d = c x b)		555.1	(d)
<b>Total return on net assets with debt at fair value (e = d / a - 1)</b>		<b>-24.2%</b>	<b>(e)</b>

<sup>1</sup> 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.

### 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.

### 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 5 on page 27 for detailed calculations.

**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.

		Six months ended 31st March 2022 £'000	Year ended 30th September 2021 £'000	
<b>Gearing calculation</b>	<b>Page</b>			
Investments held at fair value through profit or loss	24	971,236	1,300,867	(a)
Net assets	24	862,955	1,154,544	(b)
<b>Gearing/(net cash) (c = a / b - 1)</b>	<b>5</b>	<b>12.5%</b>	<b>12.7%</b>	<b>(c)</b>

**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 31st March 2022 is an estimated annualised figure based on the numbers for the six months ended 31st March 2022.

		Six months ended 31st March 2022 £'000	Year ended 30th September 2021 £'000	
<b>Ongoing charges calculation</b>	<b>Page</b>			
Management Fee	22	5,666	5,930	
Other administrative expenses	22	964	846	
Total management fee and other administrative expenses		6,630	6,776	(a)
Average daily cum-income net assets		1,003,779	1,106,951	(b)
<b>Ongoing charges (c = a / b)</b>		<b>0.66%</b>	<b>0.61%</b>	<b>(c)</b>

The Management Fee tiers are as follows:

0.650% of Net Assets up to £465 million

0.485% of Net Assets up to £930 million

0.400% of Net Assets above £930 million

**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).

### JPMAM Research Classifications

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

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

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

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
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](http://www.theaic.co.uk/aic/shareholder-voting-consumer-platforms) for information on which platforms support these services and how to utilise them.

## 2. Through a professional adviser

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

### 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](http://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](http://www.actionfraud.police.uk)

Find out more at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)

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



## FINANCIAL CALENDAR

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

## History

The Company was formed in 1927 as The Capital & National Trust Limited. It was a general investment trust until 1982, when its shareholders approved a change of name to The Fleming Japanese Investment Trust plc and the adoption of a policy of specialising in investment in Japan. The Company adopted its current name in December 2006. The Company became a constituent of the FTSE 250 Index in March 2018.

## Company Numbers

Company registration number: 223583  
 London Stock Exchange number: 0174002  
 ISIN: GB0001740025  
 Bloomberg code: JFJ LN  
 LEI: 549300JZW3TSSO464R15

## Market Information

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

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

## Website

[www.jpmmjapanese.co.uk](http://www.jpmmjapanese.co.uk)

The Company's website can be found at [www.jpmmjapanese.co.uk](http://www.jpmmjapanese.co.uk) and includes useful information about the Company, such as daily prices, factsheets and current and historic half year and annual reports.

## Share Transactions

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

## Manager and Company Secretary

JPMorgan Funds Limited

## Company's Registered Office

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

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

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

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

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

## Independent Auditors

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

## Brokers

Investec Bank plc  
 30 Gresham Street  
 London EC2V 7OP

## Financial Conduct Authority 'FCA' regulation of 'non-mainstream pooled investments' and MiFIDII 'complex instruments'

The Company currently conducts its affairs so that the shares issued by JPMorgan Japanese Investment Trust plc can be recommended by 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.



The Association of  
Investment Companies

A member of the AIC

## CONTACT

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