

JPMorgan Japan Smaller Companies Trust plc

Half Year Report & Financial Statements for the six months ended 30th September 2019



Your Company

Investment Objective

The Company's objective is to achieve long-term capital growth through investment in small- and medium-sized Japanese companies. Its benchmark is the S&P Japan SmallCap NR (in sterling terms).

Investment Policy

In order to achieve its investment objective and to seek to manage risk, the Company invests in a diversified portfolio of Japan based companies, 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 it 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 Company's revenue, capital and other reserves and will fluctuate in line with any rise or fall in its net assets. The Company's investment objective and investment policy remained unchanged following the change in dividend policy.

Investment Restrictions and Guidelines

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

The Company will not invest more than 5% of its assets in any one individual stock, at the time of its acquisition.

The Company's current gearing policy is to operate within a gearing range of 5% net cash to 15% geared in normal market conditions with maximum levels of 10% net cash or 25% geared with the Board's agreement.

The use of derivatives and currency hedging transactions are permitted with the prior approval of the Board. Such transactions, when used, will be for the purposes of efficient portfolio management and not for speculative purposes.

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

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

Benchmark

S&P Japan SmallCap Net Return Index (in sterling terms). 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 30th September 2019, the Company's issued share capital comprised 55,944,560 Ordinary shares of 10p each, of which 1,434,221 were held in Treasury.

Currency

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

Management Company

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

Association of Investment Companies ('AIC')

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

Website

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

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

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

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

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

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Half Year Performance

**TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED)
TO 30TH SEPTEMBER 2019**



¹ Source: Morningstar.

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

³ Source: Morningstar. The Company's benchmark is the S&P Japan SmallCap Net Return Index (in sterling terms).

^A Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 25 and 26.

FINANCIAL HIGHLIGHTS

SUMMARY OF RESULTS

	30th September 2019	31st March 2019
Shareholders' funds (£'000)	250,854	235,110
Ordinary shares in issue ¹	54,510,339	54,510,339
Net asset value per share	460.2p	431.3p
Share price (p)	409.0p	376.0p
Share price discount to net asset value per share ^A	11.1%	12.8%
Ongoing charges (%)^A	1.13%	1.10%
Gearing (%)^A	8.1%	7.9%

¹ Excludes 1,434,221 (31st March 2019: 1,434,221) shares held in Treasury.

^A Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 25 and 26.



Alexa Henderson
Chairman

Dear Shareholders,

This is my first report to you as Chairman following the retirement of Robert White after our Annual General Meeting held in July this year.

Investment Performance

The Japanese stock market in the first half of the financial year was characterised by continuing volatility, fuelled by rising concerns about the effect on the outlook for global growth of the slowdown in general business confidence in the US and in Europe, and the ongoing trade war between the US and China.

The Company's total return on net assets per share (net of fees and expenses) in sterling terms was +8.8% over the half year, marginally outperforming the benchmark, the S&P Japan SmallCap Net Return Index in sterling terms, which returned +8.3%. The return to Ordinary shareholders was +11.2%, reflecting a narrowing of the Company's share price discount to net asset value ('NAV') per share over the period. The Company continues to build on the strong long term performance illustrated in the charts on page 3.

The principal reasons for the Company's outperformance against the benchmark are detailed in the Investment Managers' report.

Dividend Policy and Discount Management

The Company's revised dividend policy has now been in place for over a year. As a reminder, the dividend policy aims to pay, in the absence of unforeseen circumstances, a regular quarterly dividend equivalent to 1% of the Company's NAV on the last business day of each financial quarter, being the end of June, September, December and March. These dividends are paid from a combination of revenue, capital and other reserves. For the year ended 31st March 2019, dividends paid totalled 18.0 pence. In respect of the quarters to 30th June 2019 and to 30th September 2019, dividends of 4.4p and 4.6p respectively were paid. Two further dividends will be declared on the first business day after 31st December 2019 and 31st March 2020.

Over the period, the Company's discount narrowed from 12.8% to 11.1%. The Company did not repurchase any shares during the six months. However, the Board continues to monitor the discount closely with its advisers and is prepared to repurchase shares when it feels that it is appropriate, taking into account market conditions. At the time of writing, the discount stands at 10.3%.

Borrowing

After the period end, the Company renewed its revolving credit facility of Yen 4.0 billion (introducing an option of further increasing the facility to Yen 6.0 billion) with Scotiabank, extending its maturity date to October 2022. The loan renewal was secured on favourable terms and allows the Company to repay the loan as and when required without any penalties.

The credit facility with Scotiabank is flexible and provides the Investment Managers with the ability to gear tactically. The Company's investment policy permits gearing within a range of 10% net cash to 25% geared. However, the Board requires the Investment Managers, in normal market conditions, to operate in the range of 5% cash to 15% geared. The level of gearing is reviewed by the Directors at each Board meeting. During the six months, the Company's gearing level ranged between 6.4% and 11.2%, and finished the half year at 8.1%.

Board of Directors

As part of the Board's succession planning and as reported in the last Annual Report, Martin Shenfield and Tom Walker joined the Board immediately after the AGM in July this year. I assumed the role of Chairman of the Board and of the Nomination Committee upon the retirement of Robert White. Tom has replaced me as the Chairman of the Audit Committee. Following these changes of the Board, no further changes to its composition or size are anticipated in the next twelve months.

Both Martin and Tom bring with them a wealth of investment experience and different skill sets. Martin is a specialist in Asia Pacific macroeconomics with over 35 years' experience in the asset management industry, comprising both global asset allocation and, in particular, active portfolio management of Japanese equities along with extensive exposure to Japanese capital markets including working in Japan. After qualifying as a chartered accountant, Tom spent over 30 years as a fund manager gaining experience of many regions, including Asia, and a working understanding of investment trusts. The Board looks forward to their contribution.

Outlook

The Company's performance since the end of September 2019 has continued to be strong. Our Investment Management team believes that the investment case for Japanese equities remains positive; however, this positivity is tempered to some extent by the maturing current economic cycle, headwinds from a range of global trade issues and other short-term economic indicators. The Board has confidence that the Investment Managers, supported by the extensive research resources of JPMorgan, will continue to apply rigorous stock selection criteria and invest in companies that can generate attractive long-term returns for shareholders.

Alexa Henderson

Chairman

22nd November 2019



Eiji Saito
Investment Manager

Market Review

Over the six months to 30th September 2019, the Company's benchmark, the Standard & Poor's Japan SmallCap Net Return Index (in sterling terms), produced a total return of 8.3%. The Company's net assets outperformed the index by 0.5% over the same period, delivering a return of 8.8%. The Company's performance is ahead of the benchmark by 2.6% per annum over three years and by 3.1% per annum over five years.

The Japanese stock market experienced a volatile six months and ended the period with a flat return. A major source of this volatility was elevated uncertainty driven by US-China trade friction and associated concerns about the outlook for global economic growth. During the same period, the Japanese yen strengthened against the US dollar and sterling.



Naohiro Ozawa
Investment Manager

Investment Philosophy

The Company's portfolio has a bias towards quality and growth. We aim to invest in innovative and fast-growing smaller companies that are at the core of the Japanese economy and which we believe can compound earnings growth over the long term, supported by sustainable competitive advantages and good management teams. We believe such companies' strong and durable market positioning will allow them in future substantially to increase their intrinsic value.

Our stock selection process is based on extensive experience and local 'on-the-ground' knowledge. The Company is managed by a Tokyo-based team of over 20 investment professionals offering expertise and in-depth knowledge of local markets in what is a very under-researched and under-appreciated market. This local knowledge provides us with a significant strength in identifying investment opportunities, with a focus on businesses that reinvest to provide higher growth potential.



Michiko Sakai
Investment Manager

Investment Themes

Smaller companies in Japan comprise a diverse sector with strong growth potential, serving both local and global market needs. While our decisions are based on company-specific factors, there are also structural, long-term trends and themes that underlie much of our stock selection. These include:

- Changing demographics: Japan's population is ageing, providing opportunities for innovative smaller companies that are working to improve quality of life for seniors as well as for those businesses whose focus is on labour productivity in the workplace.
- Technological innovation: many companies are embracing the productivity opportunities that technology offers. Despite Japan being an advanced industrial economy, certain areas such as financial services and payments lag other markets in terms of technological sophistication. Japanese manufacturing is world class and the country is a leading supplier of factory automation equipment, robots, and electronics parts and materials.
- Improving corporate governance standards across Japanese companies: this has resulted in increasing numbers of independent, external directors serving on company boards, as well as improving governance policies overall, including shareholders returns, internal controls and disclosure. The market is likely to reward companies that improve their governance standards and we maintain a constructive dialogue with companies on this broad theme.
- Overseas growth: businesses operating beyond Japan's shores are in a very strong position to capture the benefits of the dynamic economic growth across Asia which is creating new customers for high quality Japanese goods, services and brands.
- Government policy reforms that improve labour productivity: the record numbers of Japanese women in employment is testament to this. The stable political environment has also led to the adoption of policies to reform labour laws and corporate governance and to encourage inbound tourism.

Performance Review

During the review period, sector allocation had a positive impact. Top sector contributors included semiconductors & semiconductor equipment (where we were overweight), and top detractors included real estate (underweight). The portfolio's largest overweight positions were in the Information Technology and Communication Services sectors. We maintained our higher weighting in them, favouring companies with high earnings growth potential.

In terms of specific stocks, we highlight below three of the stocks that made the most positive contributions to performance:

- **Grace Technology** produces business-to-business repair and maintenance manuals for large manufacturers, who are starting to outsource the production of such specialist materials. Grace Technology provides a more efficient, cost-effective solution for producing technical/operation manuals. It is the market leader in this field, with over 30 years' experience.
- **Taiyo Yuden** manufactures multi-layer ceramic capacitors (MLCC) and is benefitting from ongoing technological innovation in the automobile industry related to autonomous driving, electric vehicles and the use of mobile internet technology. These factors stand to create huge potential markets for Japan's specialist MLCC manufacturers.
- **Nippon Prologis REIT** invests in high quality ('Class A') logistics facilities in Japan. We believe that strong structural trends, particularly higher e-commerce penetration, will continue to propel the growth of Class A facilities. Nippon Prologis REIT has a big advantage over its competitors because of pipeline business coming from its sponsor Prologis Inc. which continues to invest into Japanese real estate.

Negative contributors to relative performance included internet service and software companies **Sansan** (which is a new addition to the portfolio as detailed below) and **Mercari**, due to concerns over weak share price movements experienced by their US peers. **Tosho**, one of Japan's best sports gym operators in terms of operating margin and return on assets, declined due to short-term concerns over tougher competition across the health and fitness industry. In spite of these immediate headwinds, we remain committed to all three stocks as we believe that all they have competitive advantages that will help them to grow over the long-term.

Portfolio Activity

The company maintained its focus on stocks that we believe will be able to deliver earnings growth over the long term, supported by strong management teams and healthy cash flow. We avoided stocks that have no clear differentiation and operate in industries plagued by excess supply. Many stocks in the Financial Services and Real Estate sectors fall into this category.

Three of our most significant new purchases are summarised below:

- **Sansan** is a software company that provides a cloud-based, multi-platform contact management tool for corporate customers in Japan and beyond. Its product is centered around digitised business cards, which can be simply scanned to build a database that can be shared with colleagues to enhance staff productivity in sales, marketing and client service activities.
- **Riso Kyoiku** is an educational service provider which has benefitted from Japan's shrinking population; education spending per child has been increasing following the Japanese government's gift tax system reforms, by enabling parents and grandparents to spend more on education. This trend is a tailwind for its core one-to-one tutoring business 'TOMAS' and its infant education business 'Shingakukai'.
- **Milbon** is Japan's leading supplier of hair care products for salons, with a strategy in place to establish itself globally. It is already achieving growth from Asian regions such as China and Korea. The key opportunity is China, where the market is underdeveloped and where the huge Chinese population and its growing middle classes provide a significant opportunity for Milbon.

Three of our largest divestments were **Chiba Bank**, construction company **Yokogawa Bridge Holdings**, and metals manufacturer **Dowa Holdings**. We sold these stocks as we considered that future improvements in corporate governance and shareholder returns would be slower than for their competitors.

Over the period, the annualised portfolio turnover rate was 12.8%. The overall shape of the portfolio has not changed materially and we maintain our bias towards quality and growth. The Company's gearing level ranged between 6.4% and 11.2%, ending the period at 8.1%.

Outlook

Although many economies around the world have seen steady growth over recent years, there has been an undeniably marked slowdown this year, notably in China. The outlook for global markets remains uncertain, with the fallout from the US/China trade tensions continuing to cast a shadow.

In Japan, cyclical sectors have experienced sluggish earnings growth. And there could be uncertain times ahead, leaving companies reliant on export business potentially vulnerable. Japanese companies are sensitive to economic cycles in overseas markets and, although we do not expect a recession, a failure to achieve a positive outcome for the current range of trade issues would pose a headwind.

In the midst of widespread caution, it is important to highlight that valuations of Japanese companies remain reasonable, lower than historical averages and below those of most major markets. The fundamental long-term outlook for Japanese smaller companies remains positive, in our view, and we see no shortage of exciting investment opportunities.

As symbolised by the new Imperial era named Reiwa (meaning 'beautiful harmony') which began on 1st May, Japan is seeking to achieve sustainable and broadly-based growth thanks to progress in corporate governance, free trade, international relations and tourism. Japan's key structural challenge, the declining size of its population, presents significant opportunities, especially for smaller companies.

The Company maintains its focus on investing in businesses with leading market positions, strong cash generation and solid balance sheets, across a diverse range of industries. We believe that by focusing on companies with these attributes, the Company is well positioned to benefit from secular trends in Japan as well as weathering potential short-term changes in sentiment driven by trade policies or other economic indicators.

Eiji Saito

Naohiro Ozawa

Michiko Sakai

Investment Managers

22nd November 2019

PORTFOLIO ANALYSIS

TOP TWENTY INVESTMENTS

at 30th September 2019

Company	Sector	Valuation £'000	% ¹
Benefit One	Services	7,714	2.8
Raito Kogyo	Construction	7,172	2.6
Taiyo Yuden	Electric Appliances	6,910	2.6
DTS	Information & Communication	6,733	2.5
FP	Chemicals	6,584	2.4
MISUMI	Wholesale Trade	5,896	2.2
Nippon Prologis REIT	Real Estate	5,752	2.1
Tri Chemical Laboratories	Chemicals	5,630	2.1
NET One Systems	Information & Communication	5,414	2.0
Miura	Machinery	5,302	2.0
Grace Technology	Services	5,238	1.9
Star Mica	Real Estate	5,214	1.9
Nihon Unisys	Information & Communication	4,950	1.8
Nohmi Bosai	Electric Appliances	4,924	1.8
Mitsubishi UFJ Lease & Finance	Other Financing Business	4,796	1.8
Bengo4.com	Services	4,595	1.7
Asahi Intecc	Precision Instruments	4,381	1.6
CyberAgent	Services	4,364	1.6
Taiyo Nippon Sanso	Chemicals	4,212	1.6
Mercari	Information & Communication	4,193	1.6
Total		109,974	40.6

¹ Based on total investments of £271.1m (31st March 2019: £253.6m).

SECTOR ANALYSIS

Sector	30th September 2019		31st March 2019	
	Portfolio % ¹	Benchmark %	Portfolio % ¹	Benchmark %
Services	17.6	8.4	18.5	8.1
Information & Communication	17.0	7.2	17.2	6.9
Chemicals	13.1	7.1	12.4	7.4
Retail Trade	8.7	8.6	8.4	8.5
Machinery	7.7	6.8	6.9	6.8
Electric Appliances	7.7	7.3	6.5	7.0
Construction	6.1	5.7	5.7	6.0
Precision Instruments	4.8	2.1	4.5	1.9
Real Estate	4.0	9.4	2.6	9.2
Metal Products	3.3	1.7	3.5	1.7
Wholesale Trade	2.2	6.3	2.3	7.0
Pharmaceutical	2.0	2.5	2.7	2.4
Other Financing Business	1.8	1.1	1.6	1.0
Other Products	1.2	2.2	1.9	2.5
Glass & Ceramics Products	1.2	1.3	1.5	1.4
Securities & Commodity Futures	1.0	1.0	1.1	1.2
Rubber Products	0.6	0.6	0.5	0.7
Banks	–	5.5	1.3	4.2
Foods	–	3.6	–	3.4
Transportation Equipment	–	2.4	–	2.6
Land Transportation	–	1.6	–	1.9
Textiles & Apparels	–	1.5	–	2.2
Nonferrous Metals	–	1.4	0.9	1.3
Iron & Steel	–	1.0	–	0.9
Pulp & Paper	–	0.8	–	0.9
Electric Power & Gas	–	0.8	–	0.6
Fishery, Agriculture & Forestry	–	0.7	–	0.9
Warehousing & Harbour Transportation	–	0.4	–	0.4
Oil & Coal	–	0.3	–	0.3
Marine Transportation	–	0.2	–	0.2
Mining	–	0.2	–	0.2
Insurance	–	0.1	–	0.1
Commerce & Industry	–	0.1	–	0.1
Financial Services	–	0.1	–	0.1
Total	100.0	100.0	100.0	100.0

¹ Based on total investments of £271.1m (31st March 2019: £253.6m).

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

	(Unaudited) Six months ended 30th September 2019			(Unaudited) Six months ended 30th September 2018			(Audited) Year ended 31st March 2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	–	22,310	22,310	–	7,585	7,585	–	(20,917)	(20,917)
Net foreign currency losses	–	(1,821)	(1,821)	–	(72)	(72)	–	(530)	(530)
Income from investments	1,661	–	1,661	1,673	–	1,673	4,007	–	4,007
Gross return/(loss)	1,661	20,489	22,150	1,673	7,513	9,186	4,007	(21,447)	(17,440)
Management fee	(1,114)	–	(1,114)	(1,213)	–	(1,213)	(2,294)	–	(2,294)
Other administrative expenses	(255)	–	(255)	(215)	–	(215)	(426)	–	(426)
Net return/(loss) before finance costs and taxation	292	20,489	20,781	245	7,513	7,758	1,287	(21,447)	(20,160)
Finance costs	(119)	–	(119)	(109)	–	(109)	(220)	–	(220)
Net return/(loss) before taxation	173	20,489	20,662	136	7,513	7,649	1,067	(21,447)	(20,380)
Taxation	(176)	–	(176)	(167)	–	(167)	(389)	–	(389)
Net (loss)/return after taxation	(3)	20,489	20,486	(31)	7,513	7,482	678	(21,447)	(20,769)
(Loss)/return per share (note 3)	(0.01)p	37.59p	37.58p	(0.06)p	13.78p	13.72p	1.24p	(39.35)p	(38.11)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 (loss)/return after taxation represents the (loss)/profit for the period/year and also Total Comprehensive Income.

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

	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 2019 (Unaudited)							
At 31st March 2019	5,595	33,978	1,836	303,766	(98,486)	(11,579)	235,110
Net return/(loss)	–	–	–	–	20,489	(3)	20,486
Dividends paid in the period (note 4)	–	–	–	(4,742)	–	–	(4,742)
At 30th September 2019	5,595	33,978	1,836	299,024	(77,997)	(11,582)	250,854
Six months ended 30th September 2018 (Unaudited)							
At 31st March 2018	5,595	33,978	1,836	311,237	(77,039)	(12,257)	263,350
Share transaction expense ³	–	–	–	(3)	–	–	(3)
Net return/(loss)	–	–	–	–	7,513	(31)	7,482
Dividend paid in the period (note 4)	–	–	–	(2,671)	–	–	(2,671)
At 30th September 2018	5,595	33,978	1,836	308,563	(69,526)	(12,288)	268,158
Year ended 31st March 2019 (Audited)							
At 31st March 2018	5,595	33,978	1,836	311,237	(77,039)	(12,257)	263,350
Share transaction expense ³	–	–	–	(3)	–	–	(3)
Net (loss)/return	–	–	–	–	(21,447)	678	(20,769)
Dividends paid in the year (note 4)	–	–	–	(7,468)	–	–	(7,468)
At 31st March 2019	5,595	33,978	1,836	303,766	(98,486)	(11,579)	235,110

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

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

³ Stamp duty on shares repurchased into Treasury on 29th March 2018.

STATEMENT OF FINANCIAL POSITION

AT 30TH SEPTEMBER 2019

	(Unaudited) 30th September 2019 £'000	(Unaudited) 30th September 2018 £'000	(Audited) 31st March 2019 £'000
Fixed assets			
Investments held at fair value through profit or loss	271,084	286,700	253,585
Current assets			
Debtors	1,924	1,101	1,786
Cash and cash equivalents	10,096	7,444	10,343
	12,020	8,545	12,129
Creditors: amounts falling due within one year¹	(32,250)	(82)	(30,604)
Net current (liabilities)/assets	(20,230)	8,463	(18,475)
Total assets less current liabilities	250,854	295,163	235,110
Creditors: amounts falling due after more than one year	–	(27,005)	–
Net assets	250,854	268,158	235,110
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	299,024	308,563	303,766
Capital reserves	(77,997)	(69,526)	(98,486)
Revenue reserve	(11,582)	(12,288)	(11,579)
Total shareholders' funds	250,854	268,158	235,110
Net asset value per share (note 5)	460.2p	491.9p	431.3p

¹ On 25th October 2019, the Company renewed the Yen 4.0 billion loan facility for another three years.

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

	(Unaudited) 30th September 2019 £'000	(Unaudited) 30th September 2018 £'000	(Audited) 31st March 2019 £'000
Net cash outflow from operations before dividends and interest (note 6)	(860)	(1,413)	(2,694)
Dividends received	2,120	2,072	3,465
Interest paid	(112)	(108)	(222)
Net cash inflow from operating activities	1,148	551	549
Purchases of investments	(13,342)	(48,853)	(61,376)
Sales of investments	16,714	49,897	69,840
Settlement of forward currency contracts	(43)	(11)	30
Net cash inflow from investing activities	3,329	1,033	8,494
Dividends paid (note 4)	(4,742)	(2,671)	(7,468)
Repurchase of shares into Treasury	–	(469)	(469)
Net cash outflow from financing activities	(4,742)	(3,140)	(7,937)
(Decrease)/increase in cash and cash equivalents	(265)	(1,556)	1,106
Cash and cash equivalents at start of the period	10,343	9,117	9,117
Exchange movements	18	(117)	120
Cash and cash equivalents at end of the period	10,096	7,444	10,343
(Decrease)/increase in cash and cash equivalents	(265)	(1,556)	1,106
Cash and cash equivalents consist of:			
Cash and short term deposits	10,096	7,444	10,343
Total	10,096	7,444	10,343

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2019

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 figures and financial information for the year ended 31st March 2019 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 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 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 November 2014 and updated in February 2018.

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 2019.

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 2019.

3. (Loss)/return per share

	(Unaudited) Six months ended 30th September 2019 £'000	(Unaudited) Six months ended 30th September 2018 £'000	(Audited) Year ended 31st March 2019 £'000
(Loss)/return per share is based on the following:			
Revenue (loss)/return	(3)	(31)	678
Capital return/(loss)	20,489	7,513	(21,447)
Total return/(loss)	20,486	7,482	(20,769)
Weighted average number of shares in issue	54,510,339	54,510,339	54,510,339
Revenue (loss)/return per share	(0.01)p	(0.06)p	1.24p
Capital return/(loss) per share	37.59p	13.78p	(39.35)p
Total return/(loss) per share	37.58p	13.72p	(38.11)p

4. Dividend paid

	(Unaudited) Six months ended 30th September 2019 £'000	(Unaudited) Six months ended 30th September 2018 £'000	(Audited) Year ended 31st March 2019 £'000
2019 fourth quarterly dividend of 4.3p (2018: 0.0p)	2,344	–	–
2020 first quarterly dividend of 4.4p (2019: 4.9p)	2,398	2,671	2,671
2019 second quarterly dividend of 4.9p	n/a	n/a	2,671
2019 third quarterly dividend of 3.9p	n/a	n/a	2,126
Total dividend paid	4,742	2,671	7,468

The dividends paid in the period/year have been funded from the other reserve.

A second quarterly dividend of 4.6p (2018: 4.9p) per share, amounting to £2,507,000 (2018: £2,671,000) was declared payable in respect of the year ending 31st March 2020. It was paid on 7th November 2019 to shareholders on the register at the close of business on 11th October 2019.

5. Net asset value per share

	(Unaudited) Six months ended 30th September 2019	(Unaudited) Six months ended 30th September 2018	(Audited) Year ended 31st March 2019
Net assets (£'000)	250,854	268,158	235,110
Number of shares in issue	54,510,339	54,510,339	54,510,339
Net asset value per share	460.2p	491.9p	431.3p

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

	(Unaudited) Six months ended 30th September 2019 £'000	(Unaudited) Six months ended 30th September 2018 £'000	(Audited) Year ended 31st March 2019 £'000
Net return/(loss) before finance costs and taxation	20,781	7,758	(20,160)
(Less capital return)/add capital loss before finance costs and taxation	(20,489)	(7,513)	21,447
Decrease/(increase) in accrued income and other debtors	669	583	(153)
Decrease in accrued expenses	(30)	(251)	(216)
Overseas withholding tax	(176)	(167)	(389)
Dividends received	(2,120)	(2,072)	(3,465)
Realised gains on foreign exchange transactions	505	249	242
Net cash outflow from operations before dividends and interest	(860)	(1,413)	(2,694)

7. Fair valuation of financial instruments measured at fair value

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 2019		(Unaudited) Six months ended 30th September 2018		(Audited) Year ended 31st March 2019	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	271,084	–	286,700	–	253,585	–
Total	271,084	–	286,700	–	253,585	–

Interim Management Report

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

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Company have not changed and fall into the following broad categories: investment and strategy; discount; operational; loss of investment team; and political and economic. 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 2019.

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 operation existence for at least twelve 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 2019, as required by the UK Listing Authority Disclosure 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 UK Listing Authority Disclosure 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

22nd November 2019

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 2019	
Opening share price (p)	4	376.0	(a)
Closing share price (p)	4	409.0	(b)
Total dividend adjustment factor ¹		1.022466	(c)
Adjusted closing share price (d = b x c)		418.2	(d)
Total return to shareholders (e = d / a - 1)	3	11.2%	(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 2019	
Opening cum-income NAV per share (p)	4	431.3	(a)
Closing cum-income NAV per share (p)	4	460.2	(b)
Total dividend adjustment factor ²		1.020093	(c)
Adjusted closing cum-income NAV per share (d = b x c)		469.4	(d)
Total return on net assets with debt at par value (e = d / a - 1)	3	8.8%	(e)

² 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.

		30th September 2019 £'000	31st March 2019 £'000	
Gearing calculation	Page			
Investments held at fair value through profit or loss	17	271,084	253,585	(a)
Net assets	17	250,854	235,110	(b)
Gearing/(net cash) (c = a / b - 1)	4	8.1%	7.9%	(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 2019 is an estimated annualised figure based on the numbers for the six months ended 30th September 2019.

		30th September 2019 £'000	31st March 2019 £'000	
Ongoing charges calculation	Page			
Management Fee	15	2,228	2,294	
Other administrative expenses	15	510	426	
Total management fee and other administrative expenses	15	2,738	2,720	(a)
Average daily cum-income net assets		241,595	246,570	(b)
Ongoing charges (c = a / b)	4	1.13%	1.10%	(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.

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	Hargreaves Lansdown
Alliance Trust Savings	Interactive Investor
Barclays Smart Investor	Selftrade
Charles Stanley Direct	The Share Centre
FundsNetwork	

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.

2. Through a professional adviser

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

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

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

Information for J.P. Morgan investment account and stocks & shares ISA account holders

From 28th September 2019 J.P. Morgan Asset Management ceased offering investment accounts and stocks & shares ISA savings products. Investors are able to remain invested in J.P. Morgan managed investment trusts by transferring to another service provider. For full details of all the options available to investors, please refer to correspondence sent by J.P. Morgan on 8th April 2019 or contact your financial adviser.

The Board continues to encourage all of its shareholders to exercise their rights and notes that many specialist platforms, to include the default options offered by J.P. Morgan, provide shareholders with the ability to continue 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 AIC's website at www.theaic.co.uk/aic/shareholder-voting-consumer-platforms for information on which platforms support these services and how to utilise them.

Be ScamSmart

Investment scams are designed to look like genuine investments

Spot the warning signs

Have you been:

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

If so, you might have been contacted by fraudsters.

Avoid investment fraud

1 Reject cold calls

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

2 Check the FCA Warning List

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

3 Get impartial advice

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

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

Report a Scam

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

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

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



FINANCIAL CALENDAR

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

History

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

Directors

Alexa Henderson (Chairman)
Deborah Guthrie
Yuuichiro Nakajima
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.jpmmjapan.com, where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmmjapan.com

Share Transactions

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

Manager and Company Secretary

JPMorgan Funds Limited

Company's Registered Office

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

For company secretarial matters, please contact Divya Amin.

Depository

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

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

Registrars

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

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

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

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

Independent Auditor

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

Brokers

Investec Bank plc
30 Gresham Street
London EC2V 7QP

Savings Product Administrators

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



The Association of
Investment Companies

A member of the AIC

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