abrdn Japan Investment Trust plc

Annual Report 31 March 2023

Japan specialists identifying exceptional companies

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"The Company's NAV total return for the year to 31 March 2023 was -4.4%, in sterling terms underperforming the TOPIX benchmark's gain of 2.8%."

Karen Brade, Chairman

"Looking ahead, there is cause for optimism. The macroeconomic conditions that have hurt some of our holdings in the recent past appear to be reversing: the yen has strengthened, inflationary pressures are easing, and interest rate rises are moderating."

Kwok Chern-Yeh,
abrdn Japan Limited
Investment Manager

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Performance Highlights

Net asset value total return[A]

Figures to 31 March 2023

–4.4%

Figures to 31 March 2022	–10.0%
Return since 8 October 2013 (change of mandate)	+100.4%

Topix Index total return

Figures to 31 March 2023

+2.8%

Figures to 31 March 2022	–2.7%
Return since 8 October 2013 (change of mandate)	+105.1%

Share price total return[A]

Figures to 31 March 2023

–10.0%

Figures to 31 March 2022	–10.9%
Return since 8 October 2013 (change of mandate)	+85.8%

Ongoing charges ratio[A]

Year to 31 March 2023

1.17%

Year to 31 March 2022	1.00%

Discount to net asset value[A]

As at 31 March 2023

16.4%

As at 31 March 2022	11.0%

Dividend per share

Year to 31 March 2023

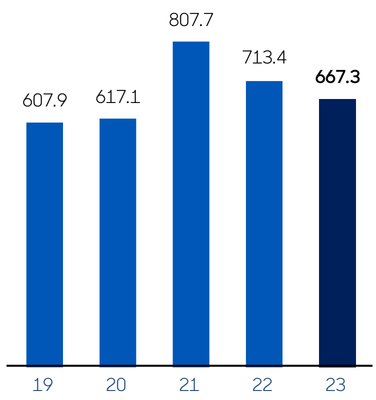
12.00p

Year to 31 March 2022	15.00p

[A] Alternative Performance Measure (see pages 86 to 88). Comparatives for the corresponding period can be also be found on these pages.

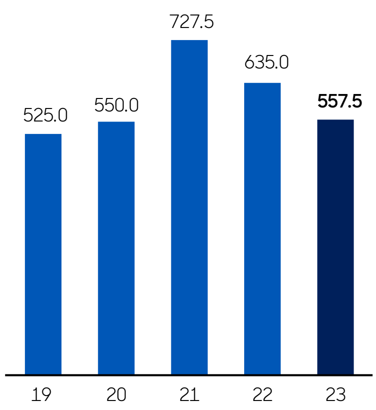
Net asset value per share

At 31 March 2023– pence



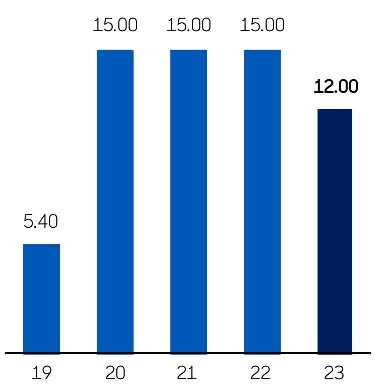
Share price

At 31 March 2023– pence



Dividends per share

Year ended 31 March 2023 – pence



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Financial Calendar, Dividends and Highlights

Financial Calendar

Payment dates of dividends	**July 2023** **December 2023**
Annual General Meeting (London)	**To be confirmed by separate notice**
Half year end	**30 September 2023**
Expected announcement of results for the six months ending 30 September 2023	**November 2023**
Financial year end	**31 March 2024**
Expected announcement of results for the year ending 31 March 2024	**June 2024**

Dividends

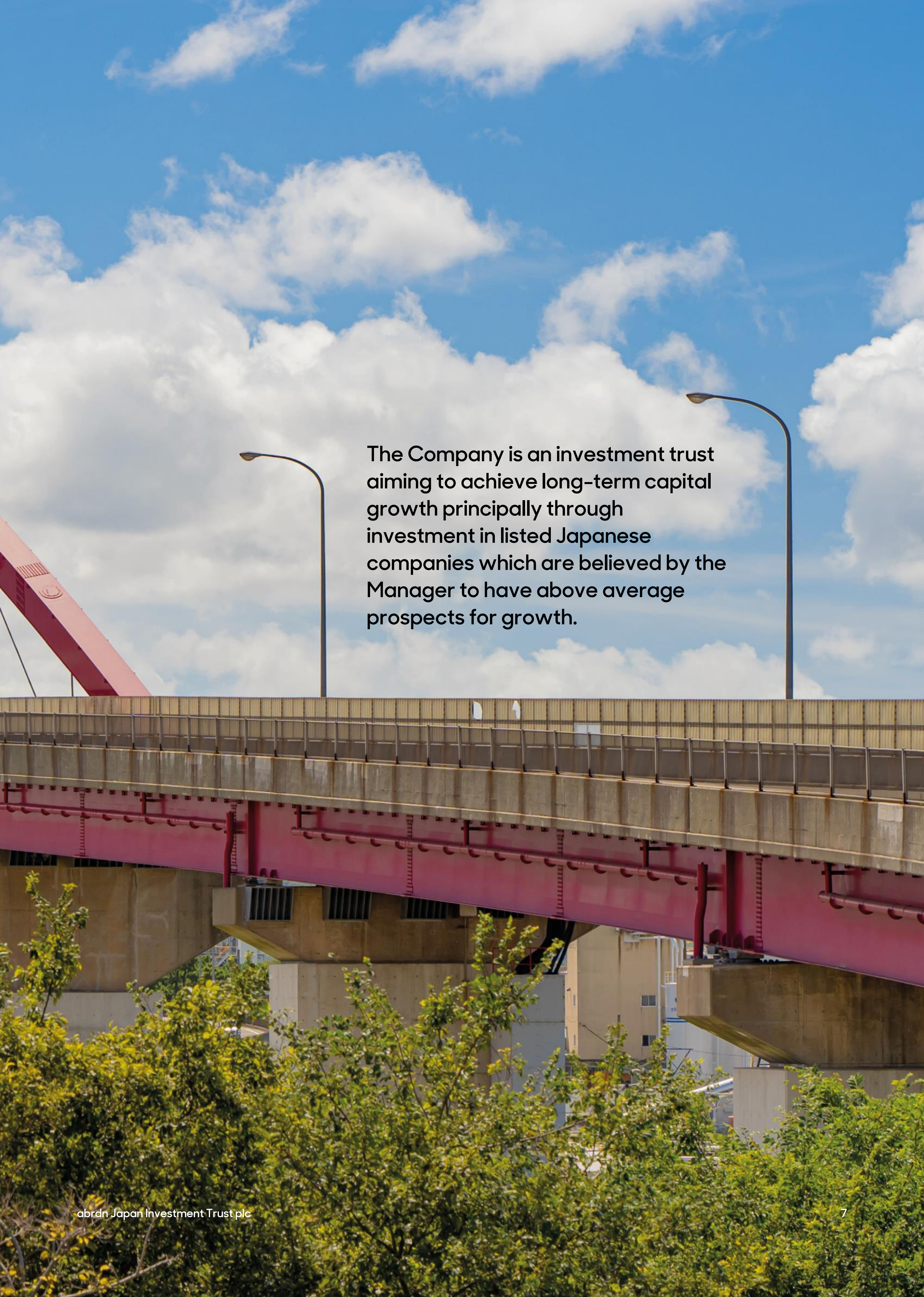
	Rate	Ex-dividend date	Record date	Payment date
Proposed second interim dividend 2023	**7.00p**	**22 June 2023**	**23 June 2023**	**21 July 2023**
Interim dividend 2023	**5.00p**	**1 December 2022**	**2 December 2022**	**29 December 2022**
Total dividends 2023	**12.00p**			
Final dividend 2022	9.00p	23 June 2022	24 June 2022	22 July 2022
Interim dividend 2022	6.00p	2 December 2021	3 December 2021	30 December 2021
Total dividends 2022	15.00p			

Highlights

	31 March 2023	31 March 2022	% change
Total assets (as defined on page 101)	**£93,273,000**	£100,564,000	–7.3
Total equity shareholders' funds (net assets)	**£82,954,000**	£89,930,000	–7.8
Market capitalisation	**£69,309,000**	£80,043,000	–13.4
Share price (mid market)	**557.50p**	635.00p	–12.2
Net asset value per Ordinary share	**667.26p**	713.43p	–6.5
Discount to net asset value[A]	**16.4%**	11.0%	
Net gearing[A]	**12.3%**	11.4%	
Operating costs			
Ongoing charges ratio[A]	**1.17%**	1.00%	
Earnings			
Total return per Ordinary share	**(33.72p)**	(81.70p)	
Revenue return per Ordinary share	**7.11p**	8.54p	
Dividends per Ordinary share[B]	**12.00p**	15.00p	
Revenue reserves (prior to payment of proposed second interim dividend)	**£1,456,000**	£1,631,000	

[A] Considered to be an Alternative Performance Measure. See pages 86 and 87 for more information.
[B] The figure for dividends reflects the years in which they were earned.

Strategic Report



The Company is an investment trust aiming to achieve long-term capital growth principally through investment in listed Japanese companies which are believed by the Manager to have above average prospects for growth.

Chairman's Statement

Performance Record

The last year to 31 March 2023 was a difficult period for stock markets globally, in particular for better quality growth stocks, as well as the broader global economy. Japanese equities faced an uphill struggle for much of the period with investors seemingly overly focused on the macro at the expense of company fundamentals which, for the most part, remain strong.

The Company's net asset value (NAV) total return for the year to 31 March 2023 was -4.4%, in sterling terms underperforming the TOPIX Index, the Company's benchmark's gain of 2.8%. The Company's Ordinary share price ended the year at 557.5p, down from 635.0p at the start of the period, and the discount to NAV per Ordinary share widened from 11.0% to 16.4%. Over one, three and five years to 31 March 2023 the Company's NAV total return has lagged the TOPIX Index (in sterling terms) by 7.2% and 9.9% and 13.1% respectively; and, since the change of mandate in October 2013, the Company's NAV total return has lagged the TOPIX Index by 0.4% per annum in sterling terms.

Every year the Company has a defined discount monitoring period, being 90 days up to 31 March 2023 (the "Discount Monitoring Period"). The average discount for this year's monitoring period was 14.0%, above the target of 10.0% requiring a continuation vote to be put to shareholders at the next Annual General Meeting ("AGM") or a general meeting held before the AGM.

The Board, while an enthusiastic supporter of the attractions of Japan's equity markets for investment opportunities, has long been mindful of the need for the Company to deliver consistent competitive investment performance, increased scale, greater liquidity and a more modest discount. Increased investment resources, an enhanced dividend policy, more focused marketing and a change of corporate broker are some of the strategies the Board has employed in an attempt to address the challenges relating to performance, scale, liquidity and the discount.

Strategic Review

Following consultation with a number of the Company's major shareholders, the Board undertook a rigorous strategic review of the opportunities in the Japan fund sector, to consider which investment strategy would be best for shareholders while remaining invested in the Japanese market. The Board considered solutions among closed-end investment trusts, where greater liquidity and a lower discount can reasonably be expected and where there is a clear, focused and differentiated investment strategy which has delivered strong performance.

The Board believes the strategic review demonstrated that the case for taking advantage of the corporate governance changes in Japan is more compelling than ever. Over recent decades, many Japanese companies have accumulated significant cash reserves and have reduced their reliance on debt financing. This has resulted in many companies having excess capital and, consequently, generating lower returns for equity investors. The Japanese authorities are seeking to address this by implementing regulations to improve governance and deliver improved returns to shareholders. The Board is of the view that this provides a highly favourable background for an active investment approach, particularly in smaller quoted companies.

Proposed rollover into Nippon Active Value Fund plc ("NAVF")

As announced on 18 May 2023, the Board has agreed terms for a proposed combination of the assets of the Company with the assets of NAVF (the "Proposal"). NAVF is a top-performing UK investment trust which targets attractive capital growth for its shareholders through active engagement with a focused portfolio of small and mid-cap quoted companies which have the majority of their operations in, or revenue derived from, Japan and that have been identified as being undervalued.

The proposed combination with NAVF is expected to improve the enlarged fund's liquidity as well as spreading the fixed costs of NAVF over a larger pool of assets. Following completion of the Proposal, it is expected that a director of the Company will join the Board of NAVF, taking the total number of directors of NAVF to six. The Company has consulted with a number of its major shareholders, together holding around 30% of the Company's issued share capital, who have indicated support for the Proposal.

Implementation of the Proposal is subject to the approval, inter alia, of the Company's shareholders as well as regulatory and tax approvals and approval by the shareholders of NAVF. A circular providing further details of the Proposal and convening general meetings to seek the necessary shareholder approvals will be published by the Company as soon as practicable. It is anticipated that the Proposal, if approved, will be implemented in Q3 2023.

The Board believes that implementation of the Proposal is in the best interest of shareholders as a whole and many shareholders will wish to continue to be invested in the enlarged fund. The Board would encourage them to roll over their interest into NAVF, as Sir David Warren and I, being the members of the Board with shares in the Company, intend to do with our holdings. Nevertheless, given the proposed change of investment strategy represented by the Proposal, the Board believes it is appropriate to offer shareholders the opportunity to realise part, or potentially all, of their investment in the Company via a cash exit for up to 25% of the Company's shares in issue, at 2% discount to fair value ("FAV") per share of the Company.

Japan Economic Background

One of the most significant developments domestically over the year to 31 March 2023 was regarding the Bank of Japan (BoJ) and monetary policy. Despite inflation creeping up to its highest level in more than 30 years (albeit much lower than elsewhere), BoJ Governor Haruhiko Kuroda stuck to his no-intervention policy for much of the year, even in the face of an increasingly weak currency; the yen fell to its lowest point against the US dollar in more than 20 years. At the same time, the BoJ remained committed to its policy of yield-curve control and restricting sales of 10-year Japanese Government Bonds to ensure that yields stayed around zero.

Towards the end of 2022, the BoJ relaxed its rules. And, with Kuroda's retirement in April 2023, there are expectations that new governor Kazuo Ueda will start to unpick some of the policies that have been pushed through in previous years. If this happens, the banking sector could start to become more profitable. Notably, despite some profit-taking and news from the US regarding the failure and subsequent buyout of Silicon Valley Bank, financials were the best performing sector over the review period.

Prevailing global concerns – the ongoing Ukraine war, rising inflation and disruption to supply chains – combined with domestic worries, not least the weaker yen, weighed on the market. While companies considered to be more sensitive to rising interest rates, and the more 'defensive' sectors fared well, most other sectors lost ground. The weaker yen was particularly damaging for the margins of the better quality companies favoured by the Investment Manager. Within the portfolio, this translated into weaker performance for sectors including consumer discretionary, communication services and real estate. The best relative performance came from consumer staples and materials holdings. For more detail on company-specific performance, see the Investment Manager's Review on pages 12 to 13.

There are already signs of improving macroeconomic conditions. The yen has bounced back from its October lows, there is general consensus that interest rate rises that have hurt the global economy should slow from here, while soaring inflation should slowly start to moderate. Meanwhile, China's reopening is proving to be a positive for the supply-chain issues that have beset many Japanese businesses, where shortages of essential components, such as semiconductors, have delayed production.

Dividend

The Company's revenue return per Ordinary share for the financial year was 7.1p (2022 – 8.5p). An interim dividend of 5.0p has already been declared and was paid to shareholders on 29 December 2022. The Board proposes a second interim dividend of 7.0p, making a total dividend of 12.0p (2022 – 15.0p) for the year ended 31 March 2023. The dividend comprises 7.1p from revenue return, 3.0p from revenue reserves and 1.9p from capital reserves.

Gearing

The Company continued to make use of its capacity to gear through its loan facilities provided by ING Bank. Earlier in the year these were renewed with the Yen 1.3 billion fixed term loan now expiring in January 2024 and the Yen 1.0 billion floating rate facility now extended to expire in December 2024.

Environmental, Social & Corporate Governance ("ESG")

Corporate governance remains highly topical in Japan and this is key to the Board's decision to recommend the Proposal given NAVF's active investment strategy is well aligned with these trends. There are signs of real progress in how Japanese companies seek to improve shareholder returns. There is a strong focus on making responsible use of capital, evident in the share buybacks that have reached their highest level in 16 years. The Tokyo Stock Exchange is also encouraging companies trading below book value to work to raise valuations and has detailed how it wants listed companies to become more aware of their cost of capital and stock price, to encourage more sustainable growth and promote longer-term increases in shareholder value.

External Service Providers

As usual, the Board has been monitoring costs generally and service providers during the year, considering the best interests of shareholders. This year, there have been some changes to service providers as a result of these discussions.

Chairman's Statement

Continued

As mentioned in the last Half Yearly Report, KPMG resigned as the Company's external audit firm on 15 November 2022 following discussions regarding increasing fees and the Board's completion of a successful audit tender, which resulted in the appointment of Johnston Carmichael LLP ("Johnston Carmichael") to undertake the Company's audit for the year ended 31 March 2023. The appointment of Johnston Carmichael as auditor is recommended by the Board to shareholders at the Company's forthcoming Annual General Meeting ("AGM"). More information can be found in the Audit Committee Report on pages 50 to 52.

The Board also undertook a review of the terms of the Registrar during the year and, following careful consideration, determined that it was in the best interests of the Company to change Registrar. The transfer of services to Computershare was undertaken successfully in February 2023. Contact details are on page 106.

Annual General Meeting ("AGM")

Normally, the notice of the Company's AGM would accompany this Annual Report and the AGM would take place in early July. As a result of the average discount at which the Company's shares traded throughout the discount monitoring period to 31 March 2023, the Company is required to put a continuation resolution to shareholders at or before the forthcoming AGM. The outcome of the strategic review also requires that general meetings are convened to seek necessary shareholder approvals for the Proposal. The Board anticipates the continuation vote will be subsumed into the business of these meetings, and the Company's AGM is likely to be delayed accordingly. The Board will update shareholders on the timings of all shareholder meetings once these are confirmed by notice of meeting as usual and by RNS announcement.

Outlook

The Board remains optimistic about the long-term future of Japanese equities. Despite ongoing challenges, the world's third-largest economy is still at the forefront of innovation and home to many world-class companies with industry-leading positions. These businesses are well positioned to take advantage of structural growth opportunities such as industrial automation, digitisation and the consumption of Asia's rising middle classes.

The last twelve months has been a difficult period for better quality companies that your Investment Manager invests in, but there are signs that macroeconomic conditions are starting to shift: a stronger yen, slowing global interest rate rises, moderating prices for some of the key raw material or intermediate inputs for Japanese companies and the easing of supply-chain problems. China's reopening and the 'normalising' policy at the BoJ will be two key areas to look out for over the coming months.

There are still risks for investors, not least the continuing geopolitical tensions that have shaken up markets over the last year. Notwithstanding these challenges, companies with pricing power and resilient balance sheets have been able to withstand the difficult conditions – even if this has not always been reflected in their share prices. As the environment improves, these companies should capture more market share as weaker rivals struggle and industry consolidation increases. Corporate governance changes are leading companies to focus increasingly on the effective deployment of often significant levels of excess capital, and this will further drive improvements in returns to shareholders going forward.

After a very thorough and comprehensive strategic review and selection process, your Board has concluded that the Proposal outlined on page 8 represents a highly desirable opportunity for shareholders. We believe that the most compelling Japanese strategy, to achieve strong, uncorrelated returns, is active engagement with undervalued small and mid-cap companies. NAVF is already successfully pursuing this strategy and we believe it is well-positioned to deploy our additional capital and to generate superior performance for shareholders. We expect that the combination with NAVF will also result in enhanced liquidity and a better rating, and with fees set at competitive levels, I commend the Proposal to shareholders.

Karen Brade
Chairman
5 June 2023

Investment Manager's Review

Overview

Japanese shares fell initially but rebounded to finish the year 4.4% higher in Yen terms. Initial selling pressure came from fears over high inflation and concerns that central bank overreactions, particularly from the US Federal Reserve, would push economies into recession. As the period progressed, investors became more optimistic about the prospects for a recovery in global growth. While the Bank of Japan ("BoJ") held interest rates unchanged, it took steps to relax its market yield controls, a potential sign of tightening to come now that Kazuo Ueda has taken over from Haruhiko Kuroda as governor in April 2023.

There was a notable factor rotation within Japanese equities, which impacted our investment style and also led to our stock selection underperforming. This rotation also produced investment opportunities, as we capitalised on pockets of mispricing to identify new ideas and add to holdings which we deemed to be oversold given their strong fundamentals. As long-term investors in Japanese equities, we maintain our conviction that quality companies will outperform over the long term. This is particularly the case where there is inflation; price rises have been less extreme in Japan than in many other developed economies, but we have looked to invest in quality companies which have the ability to pass cost increases on to their customers.

The technology sector also saw testing times. Many global manufacturers struggled with high shipping costs and supply chain issues, particularly through China's intense lockdowns. The shortages were particularly acute in semiconductors, which in turn limited output for many companies in the technology sector. Signs of weakening end-demand also emerged amid a slowing global economy. At this stage, however, there are good reasons for optimism. After a difficult period at the end of 2022, China has now relaxed its harsh Covid-19 restrictions; logistical bottlenecks are moving and component shortages are easing: this bodes well f or a consumer recovery.

Environmental, social and governance

Within corporate Japan, one key theme of ESG engagement has been the push to improve investor returns. In particular, the Tokyo Stock Exchange is encouraging companies that trade at low valuations to improve their capital efficiency, as it seeks to create a more vibrant stock market.

This has been an ongoing point of engagement with many of our portfolio companies; for instance, automotive lamp maker **Koito Manufacturing** has been growing its business continuously and with it, the amount of cash held on its balance sheet. As of December 2022, Koito held cash and cash equivalents that made up nearly 60% of its book value. We have petitioned the company to move towards a more independent board and improve its capital efficiency.

We have also been suggesting to the management of **Japan Exchange Group** that they make a clear statement on what they consider to be excess capital, and how they intend to use these funds. The company has announced a share buyback, which we see as a positive step, but we still see room for further improvement.

Across other areas, we reached out to endoscope maker **Olympus** to discuss its disclosure on responsible marketing. We were encouraged to learn that the company intends to set specific key performance indicators and action plans for the issues that have been identified internally and we will continue to track its progress in this area. We also engaged with **Seven & i** regarding the restructuring of its domestic businesses, a governance factor as it concerns good use of capital on its balance sheet.

You can read more about our engagement efforts in our case study on **Keyence** on page 34.

Portfolio Review

The Company's NAV fell by 4.4% in sterling total return terms during the year to 31 March 2023, underperforming the benchmark's (TOPIX Index) rise of 2.8%.

The Company's underperformance was primarily due to currency and stock selection effects. Within the portfolio, industrial, financial and healthcare stocks have generally detracted. However, information technology, communication services and consumer staples sectors have been positive for performance.

Investment Manager's Review

Continued

In terms of individual holdings, **Ajinomoto** performed well. The seasonings manufacturer delivered consistently good results as it grew its sales despite price increases. Semiconductor tester maker **Advantest** also contributed to returns, owing to growing confidence in the prospects for artificial intelligence ("AI"). Investors expect increased use of AI will boost demand for high-performance computing chips. AI marketing solution provider **Appier Group** was another key contributor on the back of good results.

The biggest detractor from performance was **ValueCommerce**, which was sold during the period. Its share price lagged on concerns that its parent company was introducing competing online marketing solutions. Electronic component maker **Kohoku Kogyo** reported weaker earnings due to a rapid rise in metal prices, but the company expects to pass this cost inflation on through price increases with a time lag of a few months. In our view, Kohoku's pricing power stems from a lack of competitors that can match its product quality and cost leadership.

Portfolio Activity

Over the year we added stocks to the portfolio which we believe offer good potential for upside in the current economic environment. In the first six months, the initiations were across various sectors. We invested in **Seven & i**, the convenience shop chain which benefits from economies of scale and a strong logistical advantage. The market is discounting the potential for meaningful restructuring of its domestic businesses which we see as an opportunity to add value. We also bought **Olympus**, the leader in gastrointestinal endoscopes, which has grown market share by investing in service centres and customer training. Another new holding was system integrator **Nomura Research Institute** ("NRI"). We believe Japanese corporate technology spend will remain firm, given rising digitisation and digitalisation, and NRI has a track record of providing high value-added solutions. We also introduced **Katitas**, which buys properties at appealing discounts, then re-models them into good quality homes for sale at affordable prices.

In the second half of the year, we initiated positions in **Suntory Beverage & Food**, **MUFJ**, **Hitachi** and **Internet Initiative Japan**. Suntory Beverage & Food owns many leading soft drinks brands across the globe. The company offers attractive exposure to resilient consumption trends in the soft-drinks market. Its focus on the low-sugar, energy and health-conscious segments has enabled the company to grow at a faster pace than the industry generally. Under its current management, geographic expansion into Vietnam and Thailand has proved successful and we see this as key to its further growth. In its home market of Japan and in Europe, price increases, product revamps and operational restructuring support further growth in sales and margins.

MUFJ is the largest of the three mega-banks in Japan with significant overseas operations that contribute a third of the group's profits. Under the current management led by CEO, Hironori Kamezawa, we believe that the company has become committed to a more disciplined and shareholder friendly approach to capital management. Its efforts to improve capital efficiency include the sale of US-based Union Bank last year. At the same time, MUFJ assesses new acquisitions based on stringent criteria. As the company uses excess capital to maintain attractive shareholder returns or fund growth initiatives, we believe that its share price discount will gradually narrow.

At the broader industry level, we have previously been concerned about the impact of the BoJ's policy. However, the recent adjustment to the trading band for 10-year Japanese government bonds showed the potential for policy changes to positively impact the banking sector.

Hitachi is Japan's major industrial and engineering conglomerate, covering a broad range of manufacturing and services in power generation, defence systems, electronics, construction and infrastructure, digital and other products. Over the past decade, its restructuring has led to an expansion in margins and a portfolio that is more resilient over differing business cycles. We expect its profitability and growth to improve further, led by the power-grid business that has world-leading technology for power-loss reduction during transmission. Hitachi stands to benefit from greater demand for renewable energy, as well as Lumada, an Internet of Things ("IoT") platform, and digital product engineering company GlobalLogic, which will capture rising digitalisation demand for factories and infrastructure.

Internet Initiative Japan is one of two business-to-business internet service providers remaining in Japan. The company is uniquely positioned to capture the rising corporate demand for bandwidth on the back of digital transformation needs. It can also leverage on its network know-how to cross-sell other services such as IoT, network security and system integration.

To fund these more attractive opportunities, we sold our positions in electronics components supplier **Murata Manufacturing** on concerns over an inventory correction affecting its earnings, semiconductor maker **Sanken Electric,** and laboratory operator **BML**. As we mentioned in the Half Yearly Report, this was a small holding which had benefited from the rise in testing over the Covid-19 pandemic. With the impact of the pandemic waning, we saw more limited potential for upside.

More recently, we sold **Workman**, over concerns that the company's unwillingness to raise prices in spite of cost inflation will lead to a deterioration in profitability and **Heiwa Real Estate**, in view of limited further upside to shareholder returns. **ValueCommerce** was another disposal. This company generates a large portion of its profits from providing advertising solutions to tenants on the e-commerce platforms of Z Holdings, which recently introduced competing advertising solutions. Other sales included **Fukui Computer**, which we sold due to concerns over a reduction in government subsidies affecting demand, and **Renesas Electronics**, **Nippon Sanso** and **Daifuku**, in view of better opportunities elsewhere.

Outlook

Looking ahead, there is cause for optimism. The macroeconomic conditions that have hurt some of our holdings in the recent past appear to be reversing: the yen has strengthened, inflationary pressures are easing, and interest rate rises are moderating. While there are still concerns that the market may be underestimating the persistence of inflation, and that geopolitics could still lead to sudden changes in the economic outlook, we believe that the prospects for better run businesses in Japan should improve and, over time, see them outperform. We remain true to our investment philosophy: that investing in a group of well-run companies, alongside increasing active engagement, will lead to better outcomes for shareholders.

Kwok Chern-Yeh,
abrdn Japan Limited
5 June 2023

Overview of Strategy

Business Model

This report provides shareholders with details of the Company's current business model and strategy as well as the principal risks and challenges it faces.

The Company is an investment trust which seeks to deliver a competitive return to its shareholders through the investment of its funds in accordance with the investment policy as approved by shareholders.

The Board appoints and oversees an investment manager, decides the appropriate financial policies to manage the assets and liabilities of the Company, ensures compliance with legal and regulatory requirements and reports objectively to shareholders on performance.

Investment Objective and Purpose

To achieve long-term capital growth principally through investment in listed Japanese companies which are believed by the Investment Manager to have above average prospects for growth.

The Board's strategy is represented by its investment policy, financial policies, and risk management policies.

Investment Policy

The Company primarily invests in the shares of companies which are listed in Japan. The portfolio is constructed through the identification of individual companies of any market capitalisation and in any business sector, which offer long-term growth potential.

The portfolio is selected from the 3,800 listed stocks in Japan and is actively managed to contain between 30 and 70 stocks which, in the Manager's opinion, represent the best basis for producing higher returns than those of the market as a whole in the long term. There will therefore inevitably be periods in which the Company's portfolio either outperforms or underperforms the market as represented by the Company's benchmark.

The Board does not impose any restrictions on these shorter term performance variations from the benchmark, nor any limits on the concentration of stock or sector weightings within the portfolio, except that no individual shareholding shall exceed 10% of the Company's portfolio at the time of purchase, although market movements may subsequently increase this percentage.

The full text of the Company's investment policy is provided on page 91.

Benchmark Index

Tokyo Stock Price Index, TOPIX (in Sterling terms)

Investment Approach

The Investment Manager's investment philosophy is that markets are not always efficient. The Investment Manager's approach is therefore that superior investment returns are attainable by investing in companies with good fundamentals and above average growth prospects that in the Investment Manager's opinion drive share prices over the long-term. The Investment Manager follows a bottom-up investment process based on a disciplined evaluation of companies through active engagement, at least twice a year, with management on performance including environmental, social and governance issues by its fund managers who are based in Japan and supported by the Manager's Asian investment team in Singapore. The Manager estimates a company's worth in two stages; quality, defined by reference to management, business focus, the balance sheet and corporate governance; and then price, calculated by reference to key financial ratios, the market, the peer group and business prospects. Understanding a company's management and gauging its experience is essential and no stock is bought without the fund managers having first met management.

Stock selection is key in constructing a diversified portfolio of companies with macroeconomic, political factors and benchmark weightings being secondary.

Given the long-term fundamental investment philosophy, the Manager expects to hold most companies in which the Company invests for extended periods of time.

Financial Policies

The Board's main financial policies cover the management of shareholder capital, risk management of the Company's assets and liabilities, including currency risk, the use of gearing and the reporting to shareholders of the Company's performance and financial position.

Management of Shareholder Capital

The Board's policy for the management of shareholder capital is primarily to ensure its long term growth. This growth will reflect both the Manager's investment performance and from time to time the issue of shares, when sufficient demand exists to do this, without diluting the value of existing shareholder capital.

The Board's dividend policy is to make distributions on a semi-annual basis and currently consists of the Company's earnings for the year, 3.0p per share released from the revenue reserves and an amount from the distributable capital reserves.

The Board may authorise the buyback of shares in order to avoid excessive variability in the discount and if, despite this, the average discount exceeds 10% during the 90 day period preceding its financial year end, the Board will offer shareholders the opportunity to vote on the continuation of the Company at a general meeting. The average discount for this year's monitoring period was above the target, requiring a continuation vote to be put to shareholders at the next Annual General Meeting ("AGM") or a general meeting held before the AGM, to be confirmed in due course.

Risk Management

The policy for risk management is primarily focused on the investment risk in the portfolio using the Manager's risk management systems and risk parameters, overseen by the Board.

Derivatives

The Company may use derivatives from time to time for the purpose of mitigating risk in its investments. The performance of the Company is subject to fluctuations in the Yen/£ exchange rate. The Company's exposure to Yen fluctuations is partially offset by the natural hedge provided by any borrowing in Yen as well as by investments in Japanese companies which have significant sources of income from exports of goods or from non-Japanese operations.

The wider corporate risks, including those arising from the increasingly regulated and competitive marketplace, are managed directly by the Board. The principal risks are more fully described under the paragraph 'Principal Risks and Uncertainties'.

Use of Gearing

Gearing is the amount of borrowing used to increase the Company's portfolio of investments in order to enhance returns when and to the extent it is considered appropriate to do so or to finance share buybacks when necessary. The level of borrowing under the Company's investment policy is subject to a maximum of 25% of net assets but will normally be set at a stable and lower level than the maximum. The Board has currently established a gearing level of around 10% of net assets although, with stock market fluctuations, this may range between 5% and 15%.

Overview of Strategy

Continued

Principal Risks and Uncertainties

There are a number of risks which, if realised, could have a material adverse effect on the Company and its business model, financial position, performance and prospects.

The Board has in place a robust process to identify, assess and monitor the principal risks and uncertainties facing the Company and to identify and evaluate newly emerging risks, such as geopolitical risk and cyber risk referenced in the table below. The Company's risks are regularly assessed by the Audit Committee and managed by the Board through the adoption of a risk matrix which identifies the key risks for the Company, including emerging risks, and covers strategy, investment management, operations, shareholders, regulatory and financial obligations and third party service providers. The principal risks and uncertainties facing the Company, which have been identified by the Board, are described in the table below, together with the mitigating actions.

Description	Mitigating Action	Trend
Market, Economic and Political Risk The Company's assets consist mainly of listed securities and the principal risks are therefore market-related. This includes concerns about stock market volatility caused by geopolitical instability, political change, economic growth, interest rates, currency, and other price risks, as well as national or global crises that are harder to predict and may cause major market shocks	An explanation of these risks and the management of them is included in Note 16 to the Financial Statements on pages 81 to 83. The risk is considered to have increased due to increased interest rates and inflation. The Board considers the composition and diversification of the portfolio by industry, size and growth rates, as well as purchases and sales, at each meeting, and in monthly papers. Individual holdings are discussed with the Manager, as well as views by sector and industry.	⇧
Investment Strategy Risk The Company and its investment objective may become unattractive to investors, leading to reduced returns for shareholders, decreased demand for the Company's shares, reduced value of shareholder funds and possible widening of the share price discount to NAV.	The Board regularly reviews and monitors: the Company's investment objective, policy and strategy; the portfolio and its performance; longer term trends in investor demand; and the performance of the Manager in operating the investment policy against the long-term objectives of the Company. If appropriate, the Board can propose changes in the investment objective or undertake a strategic review as it has done this year. The risk increased during the year due to the widening discount of the share price to NAV.	⇧
Investment Management Risk Investment risk arises from the Company's exposure to variations of share prices within its portfolio in response to individual company and to wider Japanese or international factors. Investment in a focussed portfolio of shares can lead to greater short-term changes in the portfolio's value than in a larger portfolio of stocks and these variations will be amplified by the use of gearing. Inappropriate investment decisions may result in the Company's underperformance against the benchmark index and peer group and a widening of the Company's discount.	The Board relies on the Investment Manager's skills and judgment to make investment decisions based on research and analysis of stocks and sectors. The Board regularly monitors the investment performance of the portfolio and reviews holdings, purchases and sales on a monthly basis, as well as with the Manager at Board meetings. The Board regularly reviews performance data and attribution analysis and other relevant factors and, were any underperformance seen as likely to be sustained, would be able to take remedial measures, such as a strategic review.	⇔
Operational Risk The Company relies on a number of third-party service providers, principally the Manager, Registrar, Custodian and Depositary. Major events or market	The Manager has extensive business continuity procedures and contingency arrangements to ensure that they are able to continue to service their clients. Third parties are subject to risk-based reviews by the Manager. The Board reviews reports on the operation and	⇔

Description	Mitigating Action	Trend
developments, including significant corporate transactions, geopolitical developments or global pandemic may impact the operations and services provided by third-party suppliers.	efficacy of the risk management and control systems of the Manager and other key third- party service providers, including those relating to cyber security and cybercrime.	
Regulatory Risk The Company operates under a complex regulatory environment. Serious breaches of regulations, such as Section 1158 of the Corporation Tax Act 2010, the UKLA Listing Rules, Companies Act 2006 and the Alternative Investment Fund Managers Directive could lead to a number of detrimental outcomes and reputational damage.	The Board is active in ensuring that it fully complies with all applicable laws and regulation and is assisted by the Manager and other advisers in doing this. The Board believes that, while the consequences of non-compliance can be severe, the control arrangements it has put in place reduce the likelihood of this happening.	⇔
Share Price and Discount Risk The principal risks described above can affect the movement of the Company's share price and in some cases have the potential to increase the discount in the market value of the Company compared with the NAV.	The price of the Company's shares and its discount to NAV are not wholly within the Company's control, as both are subject to market volatility. The discount has widened during the year. The Board has limited influence over the discount, when deemed to be in the best interests of shareholders, through its ability to authorise the buyback of existing shares up to a limit agreed by shareholder resolution. The share price, NAV and discount are monitored daily by the Manager and regularly reviewed by the Board. If the average discount exceeds 10% during the 90 day monitoring period preceding the Company's financial year end, the Board will offer shareholders the opportunity to vote on the continuation of the Company at a general meeting. A continuation vote has been triggered by the widening discount and, accordingly, will be put to shareholders at the forthcoming AGM.	⇧
Leverage The Company may borrow money for investment purposes. If investments fall in value, gearing has the effect of magnifying the extent of this fall.	The maximum level of borrowing permitted by the Company's investment policy is 25% of net assets. All borrowing requires prior approval of the Board. In order to manage the level of gearing, the Board has established a gearing level of around 10% of net assets although, with stock market fluctuations, this may range between 5% and 15%. The Board regularly reviews the Company's gearing levels and its compliance with bank covenants.	⇔
ESG Risks There is a risk that the Manager's integration of ESG in the investment process is not optimised, potentially leading to loss of value to the Company's portfolio. The Manager also monitors and responds to ESG and sustainability risks at portfolio companies as they evolve over time. This may have a positive or negative impact on performance.	The Board supports the Manager's approach to integration of ESG in Equity investing, including its active engagement with companies and analysis of ESG and risks associated with climate change. The Board reviews ESG engagement by the Manager on a quarterly basis, and company research notes in the board papers address and rate ESG risks for all new investments.	⇔

Overview of Strategy

Continued

Promoting the Success of the Company

The Board is required to report on how it has discharged its duties and responsibilities under section 172 of the Companies Act 2006 (the "s172 Statement"). Under section 172, the Directors have a duty to promote the success of the Company for the benefit of its members as a whole, taking into account the likely long term consequences of decisions, the need to foster relationships with the Company's stakeholders and the impact of the Company's operations on the environment.

The Board comprises four independent non-executive Directors and has no employees or customers in the traditional sense. As the Company has no employees, the culture of the Company is embodied in the Board of Directors. The Board seeks to promote a culture of strong governance and to challenge, in a constructive and respectful way, the Company's advisers and other stakeholders.

The Board's principal concern has been, and continues to be, the interests of the Company's shareholders and potential investors.

The Manager undertakes an annual programme of meetings with the largest shareholders and investors and reports back to the Board on issues raised at these meetings. The Investment Manager, who is based in the Manager's Tokyo office, will attend such meetings. The Board encourages all shareholders to attend and participate in the Company's AGM and shareholders can contact the Directors via the Company Secretary. Shareholders and investors can obtain up-to-date information on the Company through its website and the Manager's information services and have direct access to the Company through the Manager's customer services team or the Company Secretary.

As an investment trust, a number of the Company's functions are outsourced to third parties. The key outsourced function is the provision of investment management services to the Manager and other stakeholders support the Company by providing secretarial, administration, depositary, custodial, banking and audit services.

The Board undertakes a robust evaluation of the Manager, including investment performance and responsible ownership, to ensure that the Company's objective of providing sustainable income and capital growth for its investors is met. The Board typically visits the Manager's offices in Tokyo annually and last visited in November 2022. This enables the Board to conduct face to face meetings with the fund management and research teams. The portfolio activities undertaken by the Manager on behalf of the Company can be found in the Manager's Review and details of the Board's relationship with the Manager and other third party providers, including oversight, is provided in the Statement of Corporate Governance (pages 44 to 49).

Whilst the Company's direct operations are limited, the Board recognises the importance of considering the impact of the Company's investment strategy and policy on the wider community and the environment. The Board believes that its oversight of environmental, social and governance ("ESG") matters is an important part of its responsibility to stakeholders, and its proper consideration aligns with the Company's objective to achieve long-term capital growth. The Board's review of the Manager includes an assessment of their approach to ESG integration in the investment process. Further information can be found on pages 92 to 94.

During the year, the Board focused on the performance of the Manager in achieving the Company's investment objective within an appropriate risk framework. In addition to ensuring that the Company's investment objective was being pursued, key decisions and actions undertaken by the Directors during the financial year and up to the date of this report have included:

- conducting an extensive review of investment strategies in the Japan fund sector following the ongoing evaluation of the performance of the Manager, and in view of the requirement to hold a continuation vote under the articles of association. As a result of this process, the Board has announced the agreement of heads of terms for a proposed combination of the assets of the Company with the assets of Nippon Active Value Fund plc.
- renewal of the Company's fixed-term loan facility which matured in January 2023, in order to continue to take advantage of the Company's investment structure to allow the use of gearing, where appropriate, to enhance long-term total returns to shareholders.
- the appointment of Johnston Carmichael LLP as the Company's external auditor, following an early audit tender (more details can be found on page 10).
- change of the Company's registrar following review of contract provisions, specifically around data protection, and fees (new contact details can be found on page 106).
- the decision to pay an interim dividend of 5.0p per share and a second interim dividend of 7.0p.

In summary, the Directors are cognisant of their duties under section 172 and decisions made by the Board take into account the interests of all of the Company's key stakeholders and reflect the Board's belief that the long-term sustainable success of the Company is linked directly to its key stakeholders.

Key Performance Indicators ("KPIs")

Performance is compared against the Company's benchmark, the TOPIX Index in sterling terms, and its Peer Group. In view of the Manager's style of investing, there can be, in the short-term, considerable divergence from both comparators. The Board uses a three year rolling performance for the following KPIs: total NAV return against the benchmark index and share price total return compared with the Peer Group. The KPI for the discount comparison to its Peer Group is over one year. The Company's Ongoing Charges Ratio ("OCR") is compared with the Peer Group, taking into account its size, to ensure that total running costs remain competitive.

KPI	Achievement of KPI
NAV (total return) relative to the Company's benchmark index (3 years)[A]	No
Share price (total return) vs Peer Group (3 years)[A]	No
Discount or premium of the share price to NAV vs Peer Group on an annual average (1 year)[A]	No
OCR vs Peer Group[B]	No

[A] See page 22 for details of key performance indicator results.

[B] See page 87 for details of the OCR calculation.

Over the three year period to 31 March 2023, the Company underperformed against all of the KPI's monitored by the Board.

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Overview of Strategy

Continued

Duration

The Company does not have a fixed life. However, under the articles of association (the "Articles"), if, in the 90 days preceding the Company's financial year-end (31 March), the Ordinary shares have been trading, on average, at a discount in excess of 10% to the underlying NAV over the same period, notice will be given of an ordinary resolution to be proposed at the following AGM to approve the continuation of the Company. In the 90 days to 31 March 2023, the Ordinary shares traded at an average discount of 14.0% to the underlying NAV and therefore exceeded the 10% limit defined in the Articles. A continuation vote is therefore required. A notice confirming the date of the AGM will be sent in due course together with details of General Meetings where resolutions will be recommended relating to the Proposal.

Board Diversity

The Board recognises the importance of having a diverse group of Directors with the appropriate mix of competencies and expertise to allow the Board to fulfil its obligations. At 31 March 2023 there were two male Directors and two female Directors, all of whom bring a variety of knowledge, experience and skills and contribute individually to the Board's performance. Further detail, including the Board's first formal Diversity Statement, is provided on pages 45 to 46.

Employee, Environmental, Social & Human Rights Issues

The Company has no employees as it has delegated operational management to the Manager. There are therefore no disclosures to be made in respect of employees. Further information on the Manager's approach to socially responsible investment can be found on pages 92 to 94.

Global Greenhouse Gas Emissions and Streamlined Energy and Carbon Reporting ("SECR")

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from the operations of its business other than Directors' travel, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. For the same reason as set out above, the Company considers itself to be a low energy user under the SECR regulations and therefore is not required to disclose energy and carbon information.

Modern Slavery Act

Due to the nature of the Company's business, being a company that does not offer goods and services to customers, the Board considers that it is not within the scope of the Modern Slavery Act 2015 because it has no turnover. The Company is therefore not required to make a slavery and human trafficking statement. In any event, the Board considers the Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry, to be low risk in relation to this matter.

Viability Statement

The Company's business model is designed to deliver long term capital growth to its shareholders through investment in readily realisable stocks in the Japanese equity markets. Its plans are therefore based on having no fixed or limited life provided the global equity markets continue to operate normally.

The Board has assessed the Company's prospects over a three year period, notwithstanding its announcement on 18 May 2023 of the proposed combination with NAVF and the material uncertainty identified in relation to this matter. The Board considers that this period reflects a balance between looking out over a long-term horizon and the inherent uncertainties of looking out further than three years. In assessing the viability of the Company over the review period the Directors have focused upon the following factors:

- The requirement under the articles of association to hold a continuation vote at the next AGM;
- The ongoing relevance of the Company's investment objective in the current economic environment, considered via an extensive strategic review;
- The Proposal arising from the strategic review, to combine the assets of the Company with those of NAVF by means of a section 110 scheme of reconstruction, which is subject to shareholder and regulatory approvals at the date of this Annual Report;
- The principal risks detailed in the strategic report on pages 16 to 17 and the steps taken to mitigate these risks;
- The liquidity of the Company's underlying portfolio, which is invested in liquid and readily realisable securities;
- Recent stress testing has confirmed that shares can be easily liquidated, despite continued uncertainty and a volatile economic environment;

- The level of forecast revenue surplus generated by the Company and its ability to achieve the dividend policy;
- The level of gearing is closely monitored by the Board. Covenants are actively monitored and there is adequate headroom in place; and
- The Company has a fixed term loan facility of JPY 1.3 billion in place until January 2024 and a revolving loan facility of JPY 1.0 billion in place until December 2024. The Company has the ability to renew or repay its gearing through proceeds from equity sales.

Following the strategic review, the Board believes that the Proposal will benefit shareholders and expects that the required approvals will be received at a general meeting of the Company. Should the Proposal not receive the necessary approval, or the Continuation vote not be passed, the Board believes from the work carried out during their review, that other attractive options remain available for shareholders in the Japan sector which can be pursued.

Accordingly, taking into account the Company's current position and its prospects, and the potential impact of its principal risks and uncertainties, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of three years from the date of this Report.

In making this assessment, the Board has considered that matters such as significant economic or stock market volatility (including the possibility of a greater than anticipated economic impact of geopolitical developments), a substantial reduction in the liquidity of the portfolio, or changes in investor sentiment, and the outcome of the general meeting(s), could have an impact on its assessment of the Company's prospects and viability in the future.

The Strategic Report was approved by the Board of Directors and signed on its behalf for abrdn Japan Investment Trust plc (formerly named Aberdeen Japan Investment Trust plc) by:

Karen Brade,
Chairman
5 June 2023

Results

Key Performance Indicators

	1 year return	3 year return	5 year return	Return since 8 October 2013 (change of mandate)
Net asset value total return[A]	**–4.4%**	**+14.9%**	**+6.5%**	**+100.4%**
Topix Index total return	**+2.8%**	**+24.8%**	**+19.5%**	**+105.1%**
Share price total return[A]	**–10.0%**	**+8.5%**	**+5.3%**	**+85.8%**
Peer Group share price total return	**–6.4%**	**+29.3%**	**+6.5%**	**+118.5%**

	Over 1 year	Over 3 years	Over 5 years	Over period since 8 October 2013 (change of mandate)
Average discount – Company	–14.5%	–12.5%	–12.1%	–10.8%
Average discount – Peer Group	–9.6%	–8.6%	–7.5%	–6.7%

[A] Considered to be an Alternative Performance Measure. See page 88 for further details.
Source: abrdn plc, Lipper & Morningstar.
Peer group is the average of Baillie Gifford Japan, CC Japan Income & Growth, Fidelity Japan, JP Morgan Japanese and Schroder Japan Growth.

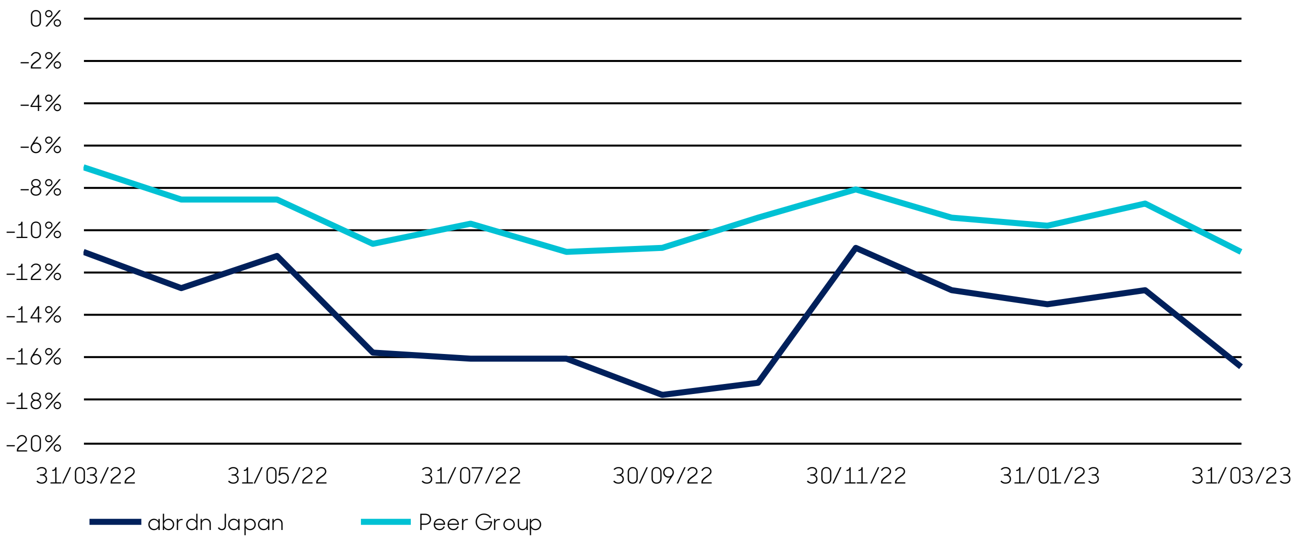
Ten Year Financial Record

Year to 31 March	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Total revenue (£'000)	1,710	1,222	1,681	2,015	1,879	1,839	1,981	1,815	1,996	**1,804**
Per share (p)										
Net revenue return	6.00	3.70	5.67	7.25	6.59	6.83	8.08	6.57	8.54	**7.11**
Total return	(30.91)	174.47	(36.18)	102.69	75.83	(70.63)	19.03	203.49	(81.70)	**(33.72)**
Dividends paid from revenue reserves	4.50	2.60	4.20	6.00	5.20	5.40	11.00	9.50	11.50	**10.10**
Dividends paid from capital reserves	–	–	–	–	–	–	4.00	5.50	3.50	**1.90**
Net asset value	377.94	547.91	511.29	611.41	682.31	607.89	617.09	807.66	713.43	**667.26**
shareholders' funds (£'000)	55,148	79,949	79,723	92,168	100,472	88,025	85,206	107,438	89,930	**82,954**

Performance

Discount (%) v Peer Group Average

One year to 31 March 2023

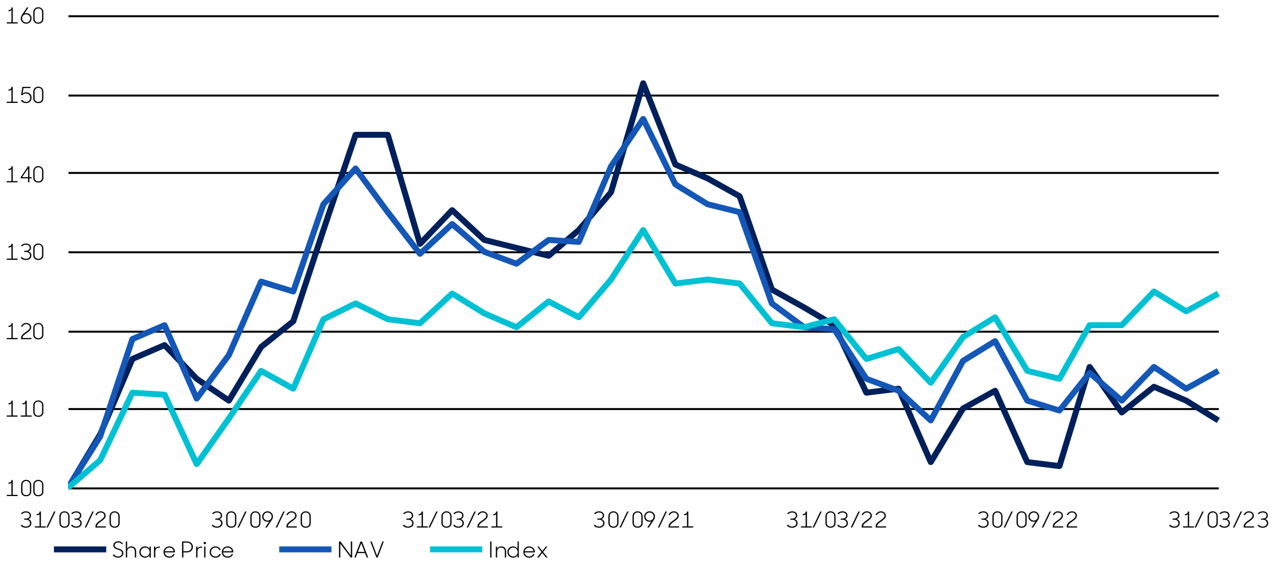


Performance

Continued

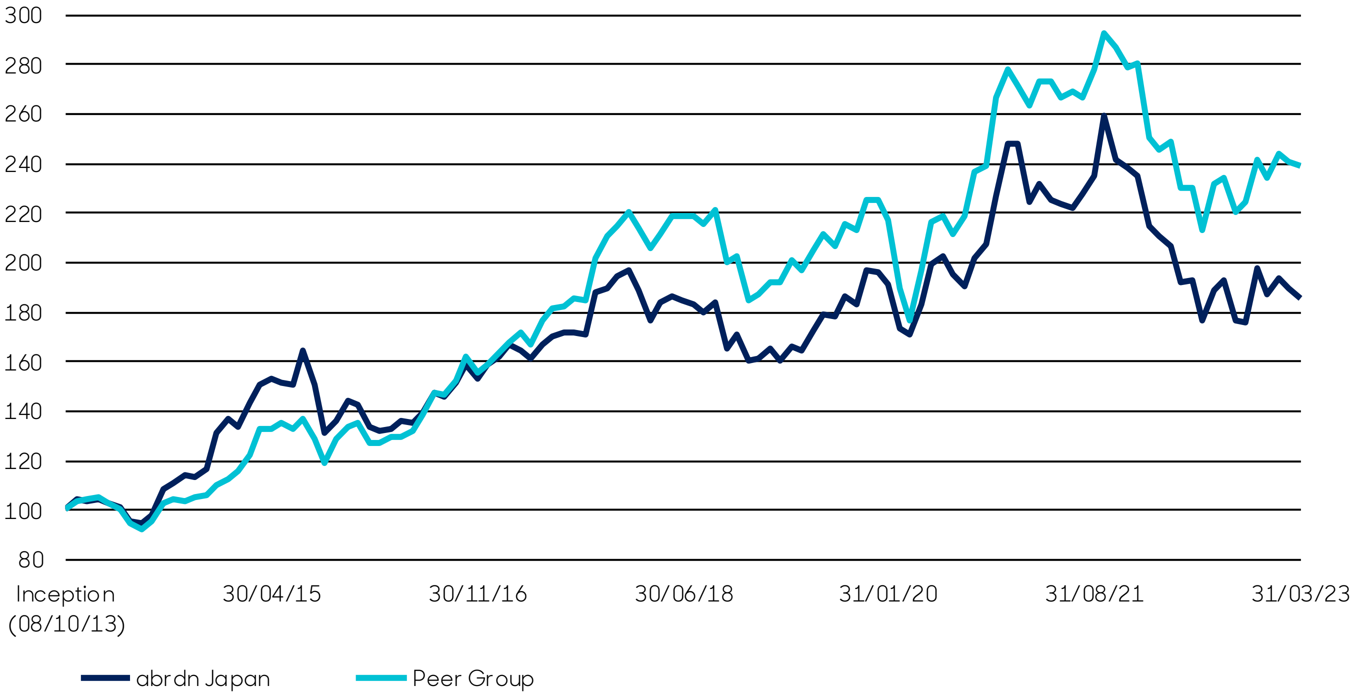
Total Return of NAV and Share Price vs Index (in Sterling terms)

Three years to 31 March 2023 (rebased to 100 at 31 March 2020)



Share Price Total Return v Peer Group

8 October 2013 (Change of Mandate) to 31 March 2023
(rebased to 100 at 8 October 2013)



Portfolio

The Company invests in a portfolio of over 60 companies in Japan, selected by the Investment Manager from the c. 3,800 stocks listed on the Tokyo Stock Exchange


SINCE 1909
1kg
Berat Bersih

Ten Largest Investments

As at 31 March 2023

4.6%
Total assets

Sony Corporation
The electronics giant has a dominant market share in image sensors and video games. The company has been able to leverage on these and its other distinct businesses – particularly in music, TV and motion pictures – to collectively create greater value.

4.0%
Total assets

Tokio Marine Holdings, Inc.
Tokio Marine is the most progressive of the three largest local property and casualty insurers. Of note is its positive view on shareholder returns, which we expect will grow gradually as it makes further inroads abroad that add value to its business.

3.7%
Total assets

Keyence Corporation
Keyence runs an efficient direct sales organisation that develops and manufactures sensors, vision systems, barcode readers, and laser markers, amongst other factory automation equipment, across the world. The company has a cash generative business and is backed by a strong balance sheet and technological expertise.

3.2%
Total assets

Shin-Etsu Chemical Company
The Japanese maker of specialty chemicals remains a global leader in the majority of its businesses: PVC, silicon wafers, and silicones, amongst others. Over the long term, the company has been very prudent in its use of capital.

2.9%
Total assets

Advantest Corporation
Advantest operates in a duopolistic market of semiconductor testing equipment. Demand is expected to rise from increasingly complex components and from a wider range of applications, including 5G networks.

2.9%
Total assets

Asahi Group Holdings
Japan's largest brewer is well positioned to achieve growth through premiumisation, cost synergies and cross-selling across different brands and geographies. In addition to its leading market share in Japan, the company has a strong presence in Europe and Australia, a result of acquisitions in recent years.

2.8%
Total assets

Hitachi
Hitachi is Japan's major industrial and engineering conglomerate. Hitachi has gone through a restructuring over the last decade, which has led to an expansion in margins and a business portfolio that is more resilient to business cycles.

2.8%
Total assets

Misumi Group
Misumi produces and distributes precision machinery parts and other automation equipment, and it has successfully extended its business model abroad in recent years. We see its growth prospects underpinned by China and expansion to new areas such as logistics automation.

2.7%
Total assets

Nippon Paint Holdings Company
Nippon Paint is among the world's leading paint companies. It has a strong presence in decorative paints in Asia and Oceania, holding the top spot in both China and Australia. It derives most of its earnings from the decorative paint market in China.

2.4%
Total assets

Toyota Motor Corporation
The automaker has continued to gain market share and post strong profitability, despite a challenging operating environment. In the medium to longer term, the company's focus on research and technology places it ahead of many peers in the areas of autonomous driving, connectivity, sharing and subscription services, and electrification.

Investment Portfolio

As at 31 March 2023

Company	Sector	Valuation 2023 £'000	Total investments %
Sony Corporation	Leisure Goods	4,279	4.6
Tokio Marine Holdings, Inc.	Non-life Insurance	3,699	4.0
Keyence Corporation	Electronic and Electrical Equipment	3,484	3.8
Shin-Etsu Chemical Company	Chemicals	2,994	3.2
Advantest Corporation	Technology Hardware and Equipment	2,754	3.0
Asahi Group Holdings	Beverages	2,734	2.9
Hitachi	General Industrials	2,613	2.8
Misumi Group	Industrial Engineering	2,589	2.8
Nippon Paint Holdings Company	General Industrials	2,511	2.7
Toyota Motor Corporation	Automobiles and Parts	2,252	2.4
Top ten investments		**29,909**	**32.2**
Resorttrust	Travel and Leisure	1,931	2.1
Tokyo Electron	Technology Hardware and Equipment	1,900	2.1
KDDI Corporation	Telecommunications Service Providers	1,862	2.0
Ibiden	Technology Hardware and Equipment	1,835	2.0
AGC	General Industrials	1,801	1.9
Tokyu Fudosan Holdings	Real Estate Investment and Services	1,792	1.9
Mitsubishi UFJ Financial Group	Banks	1,781	1.9
Seven & I Holdings	Retailers	1,757	1.9
Ajinomoto	Food Producers	1,695	1.8
Welcia Holdings Company	Personal Care, Drug and Grocery Stores	1,673	1.8
Top twenty investments		**47,936**	**51.6**
Daiichi Sankyo	Pharmaceuticals and Biotechnology	1,657	1.8
Olympus Corporation	Medical Equipment and Services	1,639	1.8
Daikin Industries	Construction and Materials	1,623	1.7
Nomura Research Institute	Software and Computer Services	1,584	1.7
Sho-Bond Holdings Company	Construction and Materials	1,549	1.7
Denso Corporation	Automobiles and Parts	1,519	1.6
Shoei Co	Household Goods and Home Construction	1,497	1.6
Suntory Beverage & Food	Beverages	1,478	1.6
Hoya Corporation	Medical Equipment and Services	1,451	1.6
Zenkoku Hosho Company	Finance and Credit Services	1,419	1.5
Top thirty investments		**63,352**	**68.2**

Investment Portfolio

Continued

As at 31 March 2023

Company	Sector	Valuation 2023 £'000	Total investments %
TechnoPro Holdings	Software and Computer Services	1,411	1.5
Astellas Pharma	Pharmaceuticals and Biotechnology	1,396	1.5
Tokyo Century Corporation	Consumer Services	1,282	1.4
Jeol	Electronic and Electrical Equipment	1,219	1.3
Kaga Electronics	Technology Hardware and Equipment	1,191	1.3
Amada Company	Industrial Engineering	1,187	1.3
Fanuc Corporation	Industrial Engineering	1,186	1.3
Milbon Company	Personal Goods	1,176	1.3
Kansai Paint Company	General Industrials	1,152	1.2
Shiseido Company	Personal Goods	1,122	1.2
Top forty investments		**75,674**	**81.5**
Nabtesco Corporation	Industrial Engineering	1,097	1.2
Otsuka Corporation	Software and Computer Services	1,062	1.1
Internet Initiative Japan	Telecommunications Service Providers	1,043	1.1
Makita Corporation	Household Goods and Home Construction	1,029	1.1
Nitori Holdings	Retailers	1,024	1.1
Chugai Pharmaceutical Company	Pharmaceuticals and Biotechnology	965	1.0
Zuken	Software and Computer Services	887	1.0
Appier Group	Software and Computer Services	823	0.9
Daiseki Company	Waste and Disposal Services	735	0.8
Elecom Company	Technology Hardware and Equipment	725	0.8
Top fifty investments		**85,064**	**91.6**
Katitas	Household Goods and Home Construction	686	0.7
Sansan	Software and Computer Services	678	0.7
As One Corporation	Medical Equipment and Services	636	0.7
Recruit Holdings Corporation	Industrial Support Services	630	0.7
Kohoku Kogyo	Electronic and Electrical Equipment	616	0.7
NEC Corporation	Technology Hardware and Equipment	608	0.7
Menicon Company	Medical Equipment and Services	567	0.6
Asahi Intecc Company	Medical Equipment and Services	517	0.6
Takuma	Construction and Materials	463	0.5
Yamaha Corporation	Leisure Goods	444	0.5
Top sixty investments		**90,909**	**98.0**

As at 31 March 2023

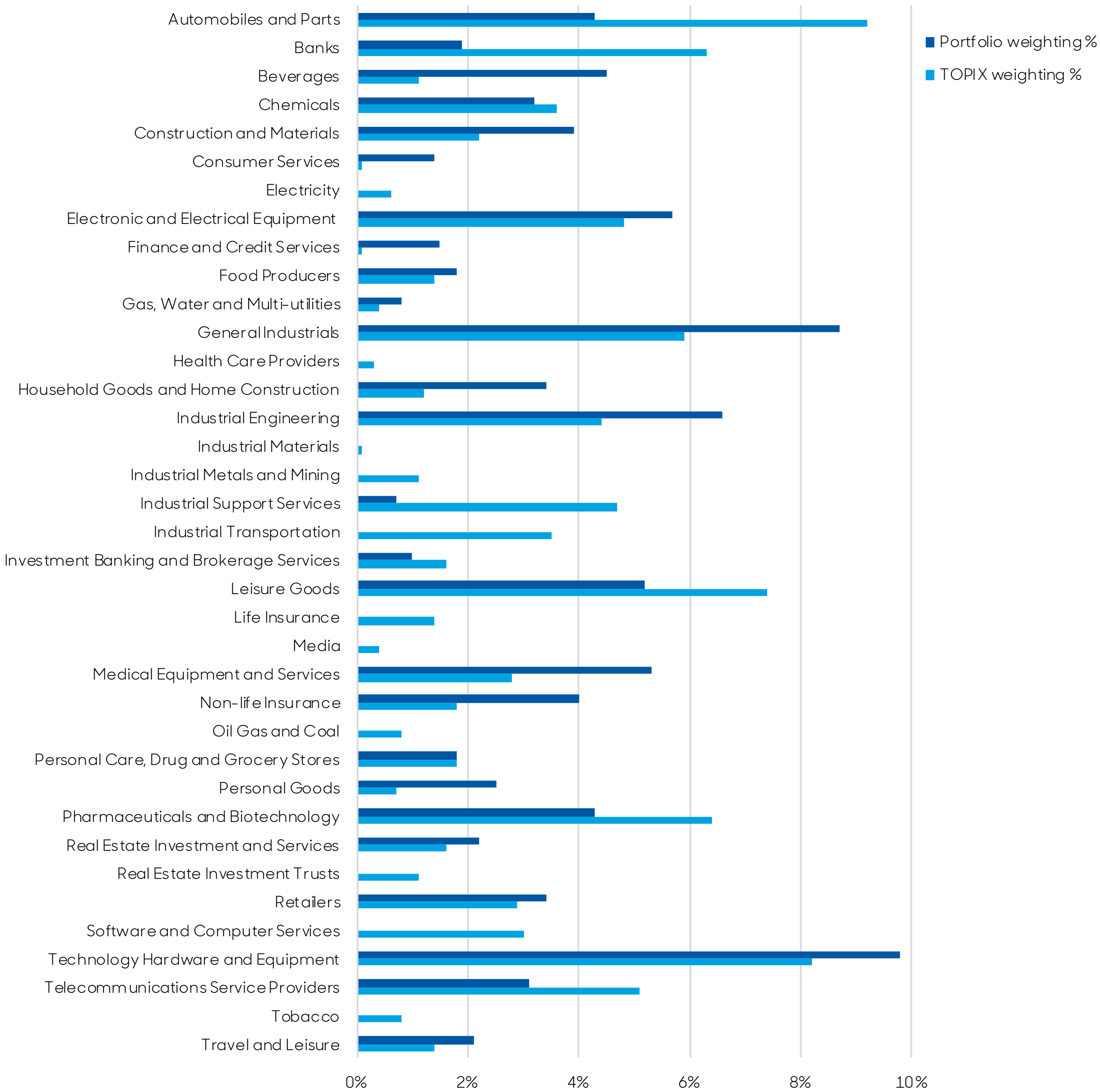
Company	Sector	Valuation 2023 £'000	Total investments %
WealthNavi	Investment Banking and Brokerage Services	400	0.4
Scroll Corporation	Retailers	383	0.4
Nihon M&A Centre	Investment Banking and Brokerage Services	322	0.3
Japan Exchange Group	Investment Banking and Brokerage Services	287	0.3
Koito Manufacturing	Automobiles and Parts	272	0.3
JSB	Real Estate Investment and Services	249	0.3
Total investments		**92,822**	**100.0**

Unless otherwise stated, foreign stock is held and all investments are equity holdings.

Sector Analysis and Currency Graph

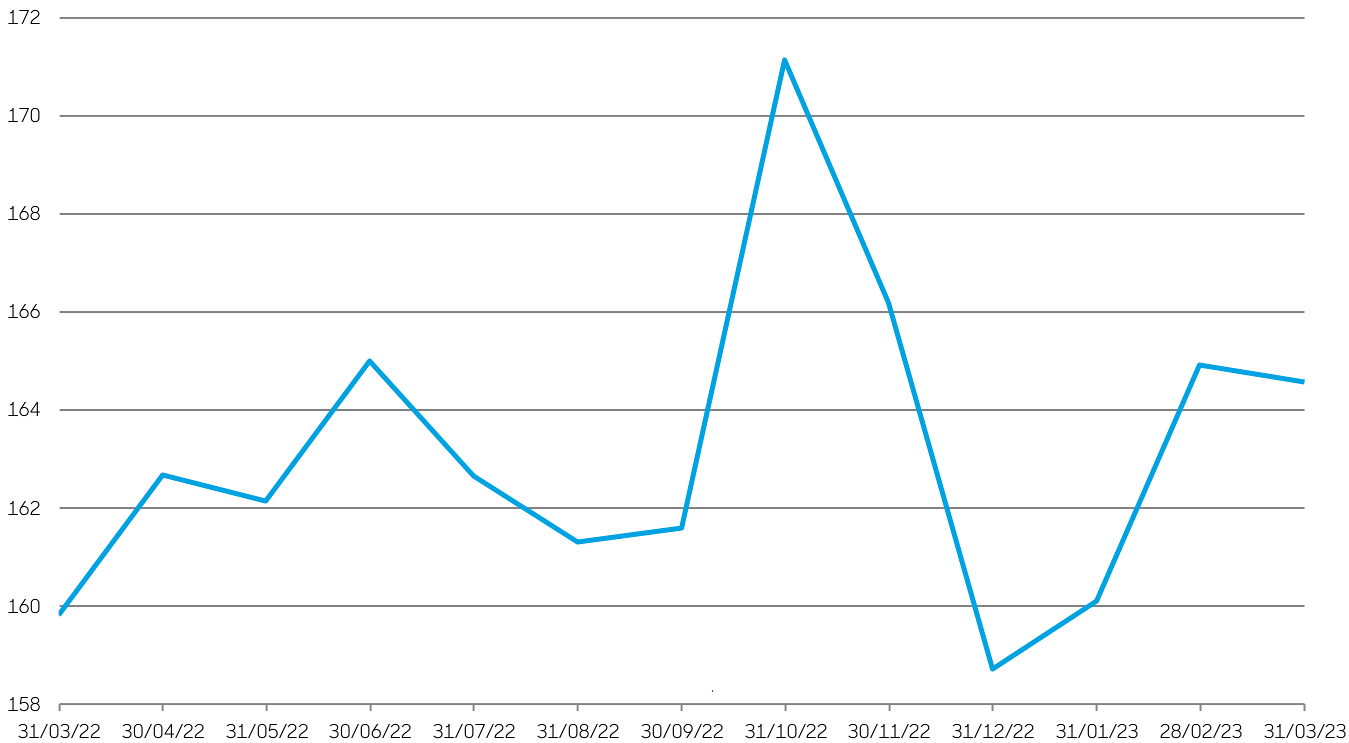
Sector Breakdown

As at 31 March 2023



Yen/Sterling Currency Movement

Year ended 31 March 2023



Investment Case Studies

Keyence Corporation

Keyence Corporation ("Keyence") specialises in making precision equipment used in factory automation, such as sensors, measurement devices, lasers, barcode readers and other devices. The company was founded almost 50 years ago and has grown steadily to become a global leader in factory automation and inspection equipment for manufacturing and research and development needs.

Standing out above its peers

Keyence has been included in the Company's portfolio since the change in mandate in 2013. From a top-down perspective, the Investment Manager believes that factory automation is a secular growth sector, as companies globally are increasingly automating processes to reduce labour costs and improve production standards. Keyence has, over time, positioned itself as a global leader, growing its customer base across a wide range of sectors with diverse requirements.

The Investment Manager has been impressed by the company's resilience through cycles. In the past few years, Keyence has delivered solid results with growth across its key markets and geographical regions, with five-year operating profit compound annual growth rate of 11%. The company runs on a fabless model, this means that it outsources its manufacturing process rather than making its products in-house, which allows it to operate a capital-light model. In more recent times, Keyence has weathered supply chain headwinds well, focusing on same-day shipment of its products. This is thanks to a flexible procurement and inventory management strategy, which includes dual sourcing and component interchangeability.

Keyence operates a direct sales model. Its in-house consultants develop products that meet the latest customer requirements. Keyence continues to expand sales locations and build its workforce overseas. This has allowed the company to be nearer to its customers locally and hence more responsive to their needs, which adds value to customers and builds loyalty.

Areas of engagement: Improving shareholder returns

A key area of the Investment Manager's engagement has been around the dividend. More broadly, returning capital to shareholders has also been an area of focus within corporate Japan, with the Tokyo Stock Exchange, among others, placing pressure on listed companies to return excess cash to investors. Keyence raised its annual dividend forecast for the financial year ended March 2023 by 50%. In its interaction with the company, the Investment Manager has discussed shareholder returns and has voted against its dividend policy at shareholder meetings.

Despite the increased pay-out, the company continues to hold cash and cash equivalents on its books that amount to nearly 80% of its total assets, and more than 10% of its market capitalisation. The company is able to pay out more to its shareholders, and the Investment Manager continues to engage on this subject, using proxy votes to reinforce good governance where required.

Zenkoku Hosho Company

Zenkoku Hosho Company ("Zenkoku") is the largest independent guarantor of home mortgages in Japan. It offers guarantee services for mortgages, and educational and card loans. The company is also involved in the insurance-agency and credit-research businesses.

Founded in 1981 to guarantee housing loans originated by the Japan Housing Finance Agency, Zenkoku now focuses on residential mortgages provided by private banks. In its early years it dealt mainly with smaller regional financial institutions, but has since used its track record, know-how and scale to gain market share with regional, city and trust banks.

Broad knowledge and experience to drive market share gains and earnings

Over the past decade, regional banks have increasingly outsourced mortgage guarantees as a means of hedging credit risk in new territories. Guarantee services offered by third parties like Zenkoku have grown at a significant pace as a result.

Zenkoku's competitive edge lies in a broad database of local property values and deep expertise in handling defaults. This means it can underwrite credit guarantees anywhere in Japan. Its local rivals may have built up well in specific regions but are finding a wider knowledge base harder to acquire.

Looking ahead, Zenkoku's earnings are expected to be driven by growth in mortgage guarantees as more and more banks outsource this service in an effort to improve their capital ratios and minimise credit risk within their retail operations. The company has also taken market share from banks' captive insurers as some banks expand housing loans to less familiar customer segments or regions.

Areas of engagement: Better capital discipline and board independence and diversity

The Investment Manager has engaged extensively with Zenkoku over several years to encourage better capital discipline. This has included focusing on its capital adequacy ratio (a measure of available capital against risk). It has reiterated that there is room for greater capital return and emphasised the importance of shareholder returns, as excessive capital on the balance sheet negatively impacts the company's return on equity ratio ("ROE").

In March 2023, the company announced a new medium-term plan, which is viewed as a meaningful step in the right direction. Management is committed to a minimum ROE target predicated not only on growing net profits, but also on capital discipline through increased shareholder return. The plan will require the company to materially raise pay-out ratios over the next three years, in conjunction with increased ad hoc buybacks to prevent overcapitalisation of the balance sheet.

The Investment Manager has also engaged on board independence and diversity and requested that the company consider appointing an additional external director to achieve a majority independent board and a better gender balance.

Social risks are also material to Zenkoku, especially regarding its workforce. Here, the company continues to develop its human capital management framework, pursuing a better working environment for its employees and offering skills upgrading programmes for its employees.

Governance

The Company is committed to high standards of corporate governance and applies the principles identified in the UK Corporate Governance Code and the AIC Code of Corporate Governance. The Company is registered as a public limited company and has been accepted by HM Revenue & Customs as an investment trust. The Directors, all of whom are non-executive and independent of the Manager, supervise the management of the Company and represent the interests of shareholders.

Board of Directors

Karen Brade

Independent Chairman

Length of Service

10 years; appointed a Director on 1 May 2013 and Chairman in July 2018

Experience:

Over 25 years of investment experience in a range of sectors and markets. She began her career at Citibank, working on various multi-national project finance transactions. Between 1994 and 2004 she was an investment principal at CDC Group plc (the UK Government's Development Finance Institution) where she directed equity and debt investing, portfolio management, fund raising and investor development including India, South Asia, Africa and China. Since 2005 she has been an adviser to hedge funds, family offices and private equity houses and is currently the Audit Committee Chairman of Augmentum Fintech, Chairman of Keystone Positive Change Investment Trust plc and a non-executive director of HeiQ plc.

Claire Boyle

Independent Director and Audit Committee Chairman

Length of Service

4 years: appointed a Director on 1 February 2019

Experience:

Over 20 years' experience working in finance and equity investment management, working on funds over a wide range of sectors for international corporate, Government, State and retail clients, including unit and investment trusts. She was a partner at Oxburgh Partners LLP with responsibility for their European Equity Hedge Fund, and prior to that a European Equity Fund Manager at American Express Asset Management, where her role included both equity investment and business development. She is a Fellow of the Institute of Chartered Accountants, qualifying in 1993 whilst working in litigation support at Coopers & Lybrand, before starting her investment career on the UK research desk at Robert Fleming. She is currently the Chairman of Life Science REIT plc, the Audit Committee Chairman of Fidelity Special Values plc and a director of The Monks Investment Trust plc

Sam Dean

Independent Director

Length of Service

2 years; appointed a Director on 1 December 2020

Experience:

A long career in investment banking of over 25 years, working in equity capital markets and corporate finance on behalf of corporate and government clients globally. After starting his career in 1993 at Kleinwort Benson, he subsequently worked as a Managing Director at Citibank (1998-2001), Deutsche Bank (2001-2009), and Barclays (2009-2017). At Deutsche and Barclays, he held senior management positions as global head of equity capital markets and head of corporate finance, whilst continuing to work on client transactions. He has recently been appointed to Jeffries Financial Group Inc. as a vice chairman of investment banking, with a focus on equity capital markets.

Sir David Warren

Senior Independent Director

Length of Service

7 years; appointed a Director on 1 December 2015

Experience:

A career in the British Diplomatic Service of over 35 years concentrating on East Asia following his initial Japanese language training, including three postings to Tokyo, and culminating in four and a half years as British Ambassador to Japan from 2008 to 2012. He has also been an Associate Fellow of the Asia-Pacific Programme of the Royal Institute of International Affairs and a Director of the UK/Japan 21st Century Group, the non-governmental leadership group promoting closer collaboration between the two countries. He is currently Chair of the Nursery and Midwifery Council, as well as acting as adviser to a number of cultural and educational bodies.

Directors' Report

Status

The Company is registered as a public limited company in England & Wales under No. 3582911 and is an investment company as defined by Section 833 of the Companies Act 2006. It is a member of the Association of Investment Companies (AIC).

The Company has been accepted by HM Revenue & Customs as an investment trust subject to it continuing to meet the relevant eligibility conditions of Section 1158 of the Corporation Tax Act 2010 and the ongoing requirements of Part 2 Chapter 3 Statutory Instrument 2011/2999 for all financial years commencing on or after 1 April 2012. The Directors are of the opinion that the Company has conducted its affairs for the year ended 31 March 2023 so as to enable it to comply with the ongoing requirements for investment trust status.

The Company has conducted its affairs so as to satisfy the requirements as a qualifying security for Individual Savings Accounts. The Directors intend that the Company will continue to conduct its affairs in this manner.

Share Capital and Rights attaching to the Company's Ordinary shares

At 31 March 2023 the Company had 12,432,024 Ordinary shares of 10p ("Ordinary shares") in issue (2022 – 12,605,268) and 3,389,548 Ordinary shares held in treasury (2022 – 3,216,304).

During the year to 31 March 2023 the Company purchased 173,244 Ordinary shares (1.4% of the issued share capital) at a discount to its NAV for treasury for a consideration of £1.0 million. There have been no further Ordinary shares purchased by the Company in the market since 31 March 2023.

Each Ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every share held. The Ordinary shares carry a right to receive dividends which are declared from time to time by an ordinary resolution of the Company (up to the amount recommended by the Board). On a winding-up, after meeting the liabilities of the Company, the surplus assets would be paid to Ordinary shareholders in proportion to their shareholdings.

There are no restrictions on the transfer of Ordinary shares in the Company other than certain restrictions which may from time to time be imposed by law (for example, insider trading law) and there are no special rights attached to any of the shares. The Company is not aware of any agreements between shareholders which may result in restriction on the transfer of Ordinary shares or the voting rights.

The rules concerning amendments to the articles of association and powers to issue or buy back the Company's Ordinary shares are contained in the articles of association of the Company and the Companies Act 2006.

Results and Dividend

The Company's results and performance for the year are detailed on pages 22 and 25.

The Directors recommend that a second interim dividend of 7.0p (2022 – 9.0p) is paid on 21 July 2023 to shareholders on the register on 23 June 2023. The ex-dividend date is 22 June 2023.

Directors

Biographies of the Directors serving on the Board at the Company's year end are provided on page 38 and 39. There were no changes to the Board of Directors during the year.

All Directors will stand for election or re-election at the AGM. The reasons for the Board's recommendations for their re-elections are set out in the Statement of Corporate Governance.

No contract or arrangement existed during the year in which any of the Directors was materially interested. No Director has a service contract with the Company.

Directors' Insurances and Indemnities

Directors' & Officers' liability insurance cover has been maintained throughout the year at the expense of the Company.

Each Director of the Company is entitled to be indemnified out of the assets of the Company to the extent permitted by law against all costs, charges, losses, expenses and liabilities incurred by them in the actual or purported execution and/or discharge of their duties and/or the exercise or purported exercise of their powers and/or otherwise in relation to or in connection with their duties, powers or office. These rights are included in the Articles of Association of the Company and the Company has granted indemnities to each Director on this basis.

Corporate Governance

The Statement of Corporate Governance, which forms part of the Directors' Report, is contained on pages 44 to 49.

Principal Agreements

Management Agreement

The Company has appointed abrdn Fund Managers Limited ("aFML" or "Manager"), a wholly owned subsidiary of abrdn plc, as its alternative investment fund manager ("AIFM"). The Manager has been appointed to provide investment management, risk management, administration and company secretarial services as well as promotional activities. The Company's portfolio is managed by abrdn Japan Limited (the "Investment Manager") by way of a group delegation agreement between aFML and abrdn Japan Limited.

Under delegation from aFML, company secretarial, accounting and administrative services are provided by abrdn Holdings Limited (the "Secretary"), formerly named Aberdeen Asset Management PLC. The management agreement may be terminated by either the Company or the Manager on the expiry of six months' written notice. The Secretary supplies the Board with monthly reports on the Company's activities.

The management fees paid during the year ended 31 March 2023 are shown in Note 4 to the Financial Statements.

The management fee is 0.75% per annum on the lesser of the Company's net asset value or market capitalisation. Market capitalisation is defined as the closing share price quoted on the London Stock Exchange multiplied by the number of shares in issue (less the number of any shares held in treasury), as determined on the last business day of the applicable calendar month to which the remuneration relates.

The total Ongoing Charges Ratio (OCR) for the period was 1.17% of net assets, (2022 – 1.00%).

Depositary Agreement

The Company has appointed BNP Paribas Trust Corporation UK Limited ("BNPP") as its depositary. The depositary agreement was novated to BNPP on 30 June 2022. Prior to that, the Depositary was BNP Paribas Securities Services, London Branch.

Disclosure of information to the Auditor

The Directors who held office at the date of this Report each confirm that, so far as he or she is aware, there is no relevant audit information of which the Company's auditor is unaware; and he or she has taken all the steps that he or she might reasonably be expected to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

A resolution will be proposed at the AGM to appoint Johnston Carmichael LLP as auditor for the first time, and to authorise the Directors to agree their remuneration.

Global Greenhouse Gas Emissions

The Company has no greenhouse gas emissions or other emissions producing sources to report from its operations.

Substantial Interests

At 31 March 2023 the following were registered, or had notified the Company, as being interested in 3% or more of the Company's Ordinary share capital:

Shareholder	Number of shares held	% held
1607 Capital Partners	2,384,856	19.2
Allspring Global Investments	1,389,363	11.2
abrdn Retail Plans	1,144,419	9.2
Wesleyan Assurance	749,950	6.0
Hargreaves Lansdown	520,113	4.2
Interactive Investor	499,741	4.0
Raymond James Investment Services	469,004	3.8

As at the date of this Report, no other changes to the above interests had been notified to the Company.

Going Concern

The Board has considered and sought advice on the appropriateness of continuing to prepare the Financial Statements on a going concern basis. Notwithstanding the material uncertainty in relation to the announcement of the proposed combination of the Company's assets with the assets of NAVF – which would involve a scheme of reconstruction resulting in the voluntary liquidation of the Company – the Board concluded that it remained appropriate to continue to prepare the Financial Statements on a going concern basis

Directors' Report

Continued

The Company's assets consist of equity shares in companies listed on recognised stock exchanges and in normal circumstances are realisable within a short timescale. The Board has reviewed the results of stress testing prepared by the Manager in relation to the ability of the assets to be realised in the current market environment.

The Company does not have a fixed life. However, under the articles of association, if, in the 90 days preceding the Company's financial year-end (31 March), the Ordinary shares have been trading, on average, at a discount in excess of 10% to the underlying NAV over the same period, notice will be given of an ordinary resolution to be proposed at the following AGM to approve the continuation of the Company. In the 90 days to 31 March 2023, the Ordinary shares traded at an average discount of 14.0% to the underlying NAV. Accordingly, a resolution on the continuation of the Company will be put to the Company's shareholders as part of the Proposal at the general meetings and AGM at a date to be notified to shareholders in due course.

The Company has a fixed term loan facility of JPY 1.3 billion in place until January 2024 and a revolving loan facility of JPY 1.0 billion in place until December 2024. The Board has set limits for borrowing and regularly reviews the Company's gearing levels and its compliance with bank covenants. A replacement option would be sought in advance of the expiry of the facility in January 2024, or, should the Board decide not to renew this facility, any outstanding borrowing would be repaid through the proceeds of equity sales as required.

The Company's portfolio comprises wholly "Level 1" assets (listed on a recognisable exchange and realisable within a short timescale). The results of stress testing prepared by the Manager, which models a sharp decline in market levels and income, demonstrated that the Company had the ability to raise sufficient funds so as to remain within its debt covenants and pay expenses.

Taking the above factors into consideration, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence and discharge its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

Material Uncertainty

On 18 May 2023, the Board announced its agreement in principle of Heads of Terms for the proposed combination of the assets of the Company with the assets of NAVF, to be implemented, subject to shareholder approval, through a scheme of reconstruction under section 110 of the Insolvency Act 1986, resulting in the voluntary liquidation of the Company. More detail can be found in the Chairman's Statement on pages 8 and in the RNS announcement itself.

The Board believes that the Proposal is in the best interests of shareholders and recommends that shareholders vote in favour of the relevant resolutions, including the continuation vote, at the general meetings to be held in due course, which would result in the scheme being implemented. However, due to the requirements for:

a) the continuation vote; and

b) approvals from shareholders of both companies, and for regulatory approval for NAVF's move to a premium listing on the Main Market of the London Stock Exchanges, which is a condition of the Proposal,

there can be no certainty of the outcome at the date of this Annual Report and, therefore, there remains material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

Should the Proposal not receive the necessary shareholder or regulatory approvals, or should the continuation vote not be passed, the Board believes from the work carried out during the strategic review, that other attractive options remain available for shareholders in the Japan fund sector, which can be pursued, and accordingly the Board has prepared the financial statements on a going concern basis.

Annual General Meeting

The Notice of AGM, together with the notice of General Meetings required to seek shareholder approval for the Proposal mentioned above, will be posted to shareholders in due course. The Board will continue to update shareholders as appropriate via RNS announcements and mailings.

Other Information

There are no agreements which the Company is party to that might affect its control following a takeover bid and there are no agreements between the Company and its Directors concerning compensation for loss of office. Other than the management agreement with the Manager, further details of which are set out on page 41, the Company is not aware of any contractual or other agreements which are essential to its business which ought to be disclosed in the Directors' Report.

The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in Note 16 to the financial statements.

By Order of the Board and signed on its behalf
abrdn Holdings Limited,
Secretary
280 Bishopsgate
London, EC2M 4AG

5 June 2023

Statement of Corporate Governance

This Statement of Corporate Governance forms part of the Directors' Report which is provided on pages 40 to 43.

Introduction

The Company is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good governance, and this statement describes how the Company applies the principles identified in the 2018 UK Corporate Governance Code (the "UK Code"), which is available on the Financial Reporting Council's website: **frc.org.uk**. The Association of Investment Companies has also published a Code of Corporate Governance for Investment Trusts© ("AIC Code"), which is available on the AIC's website: **theaic.co.uk**. The AIC Code forms a comprehensive guide to best practice in certain areas of governance where the specific characteristics of investment trusts suggests alternative approaches to those set out in the UK Code that may be preferable. There is a certain amount of overlap with the UK Code, although the focus of attention is on the points of difference.

Application of the Principles of the Codes

The Listing Rules of the UK Listing Authority require the Board to report on compliance with the UK Code provisions. In instances where the UK Code and AIC Code differ, an explanation is given in this Statement of Corporate Governance.

The Board confirms that, during the year to 31 March 2023, the Company complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below:

1. there was not a Senior Independent Director at the start of the financial year (UK Code Provision 12 and AIC Code Provision 37). Sir David Warren was appointed Senior Independent Director on 27 May 2022.
2. the Chairman chairs the Remuneration Committee (UK Code Provision 32 and AIC Code Provision 37).
3. the Chairman is a member of the Audit Committee (UK Code Provision 24). In line with the AIC Code, Karen Brade is deemed an independent member of the Audit Committee.

Board Structure

The Board currently comprises four Non-Executive Directors and is chaired by Karen Brade. Sir David Warren is the Senior Independent Director. All Directors are considered to be independent of the Company and the Manager, aFML, and free of any relationship which could materially interfere with the exercise of their independent judgement on issues such as strategy, performance, resources and standards of conduct.

The Board's policy on tenure is that Directors need not serve on the Board for a limited period of time only and that the independence of Directors is not necessarily constrained by length of tenure. The Board does not take the view that the length of tenure of a Director is as important as the contribution he or she has to make, and therefore the relevance of individual tenure will be determined on a case by case basis, which is consistent with the AIC Code. Karen Brade has served on the Board for over nine years but, notwithstanding her tenure, the Board considers her to be independent in mind and character. The Company benefits from a balance of Board members with different tenures, different backgrounds and a wide variety of experience which the Directors believe adds significantly to the Board's strength. There is no age limit for Directors in the articles of association.

The role of Chief Executive Officer is not relevant for an investment company as this role has been effectively delegated to the Manager under the terms of the Management Agreement.

The Board is mindful of the importance of having an orderly succession plan and actively evaluates Directors' performance annually to an appropriate balance of up to date skills and capacity. Biographies of the Directors, including their tenures and relevant experience, can be found on pages 38 to 39.

Board Diversity

The Directors recognise the importance of the Board comprising a range of skilled and experienced individuals with the right levels of knowledge and competency in order to allow it to successfully fulfil its obligations. Board members also recognise the benefits and are supportive of the principle of diversity in the recruitment of new Board members. The Board will not display any bias for age, gender, race, sexual orientation, religion, ethnic or national origins or disability in deciding to appoint a new director. In view of the Proposal concerning the Company's future, it is not expected that there will be any new appointments, but, in the case that this changes, the Board will have regard to the targets set out in the FCA's Listing Rule 9.8.6R (9)(a), which are reported in the tables below.

As an externally managed investment company, the Company employs no executive staff, and therefore does not have a chief executive officer (CEO) or a chief financial officer (CFO), both of which are deemed senior board positions by the FCA. However, the Board considers the Chair of the Audit Committee to be a senior board position and the following disclosures are made on this basis. Other senior board positions recognised by the FCA are Chair of the Board and Senior Independent Director (SID).

The following information has been provided by each Director through the completion of questionnaires. The Board has resolved that the Company's year end date is the most appropriate date for disclosure purposes. There have been no changes since the Company's year end that have affected its ability to meet the targets set in LR 9.8.6R (9)(a).

Board Gender as at 31 March 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
Men	2	50%	1 [D]	n/a	n/a
Women	2	50% [A]	2 [B C E]	n/a	n/a
Not specified/prefer not to say	-	-	-	n/a	n/a

[A] Meets target of at least 40% as set out in LR 9.8.6R (9)(a)(i)
[B] Chairman of the Board
[C] Chairman of the Audit Committee
[D] Senior Independent Director
[E] Meets target of at least 1 as set out in LR 9.8.6R (9)(a)(ii)

Board Ethnic Background as at 31 March 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	4 [A]	100%	2	n/a	n/a
Mixed/Multiple Ethnic Groups	-	-	-	n/a	n/a
Asian/Asian British	-	-	-	n/a	n/a
Black/African/Caribbean/Black British	-	-	-	n/a	n/a
Other ethnic group, including Arab	-	-	-	n/a	n/a
Not specified/prefer not to say	-	-	-	n/a	n/a

[A] Does not meet target of at least 1 as set out in LR 9.8.6R (9)(a)(iii)

In relation to the ethnic diversity of the Board, the Directors recognise that this does not meet the target set out in the Listing Rules, as shown in the table above. The Directors will take this into account when making future Board appointments: one external recruitment consultant, approached recently, advised that it would seek to include at least 30% ethnic diversity on a longlist of potential candidates.

Statement of Corporate Governance

Continued

Role and Operation of the Board

The Board sets the Company's values and objectives and ensures that its obligations to its shareholders are met. It has formally adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, operational and compliance issues. This includes:

- maintenance of clear investment objectives and risk management policies;
- monitoring of the business activities of the Company ranging from analysis of investment performance through to annual budgeting and quarterly forecasting and variance analysis;
- setting the range of gearing and hedging within which the Manager may operate;
- major changes relating to the Company's structure, including share buy-backs and share issuance;
- Board appointments and removals and the related terms;
- authorisation of Directors' conflicts or possible conflicts of interest;
- terms of reference and membership of Board Committees;
- appointment and removal of the Manager and the terms and conditions of the management and administration agreements relating thereto; and regulatory, accounting and legal requirements such as the approval of the half yearly and annual financial statements and approval and recommendation of any dividends respectively, any circulars, listing particulars and other releases concerning matters decided by the Board.

Meetings held and attendance	Board	Audit Committee	Remuneration Committee	Nomination Committee	Management Engagement Committee
Karen Brade	5/5	2/2	2/2	2/2	2/2
Claire Boyle	5/5	2/2	2/2	2/2	2/2
Sam Dean	5/5	2/2	2/2	2/2	2/2
Sir David Warren	5/5	2/2	2/2	2/2	2/2

The number of routine Board and Committee meetings attended by each Director during the year compared to the total number of meetings that each Director was eligible to attend is provided in the table above. The Board meets formally at least five times a year, and more frequently where business needs require. In addition, the Board maintains regular contact with the Manager.

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information. At each meeting the Board reviews the following:

- Reports from the Manager covering stock market environment, portfolio activities, performance and investment outlook;
- Company financial information including revenue forecasts, balance sheet and gearing position;
- Shareholder analysis and relations;
- Regulatory issues and industry matters;
- Reports from other service providers such as brokers and depositary.

Management of Conflicts of Interests

The Board regularly monitors the interests of each Director and a register of Directors' interests, including potential conflicts of interest, is maintained by the Company. Directors who have potential conflicts of interest will not take part in any discussions which relate to that particular conflict.

The Board adopts a zero tolerance approach to bribery and corruption and has implemented appropriate procedures designed to prevent bribery.

In relation to the corporate offence of failing to prevent tax evasion, it is the Company's policy to conduct all business in an honest and ethical manner. The Company takes a zero-tolerance approach to facilitation of tax evasion whether under UK law or under the law of any foreign country and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships.

There is an agreed procedure for Directors to take independent professional advice, if necessary, at the Company's expense. The Directors have access to the advice and services of the corporate Company Secretary through its appointed representatives who are responsible to the Board:

- for ensuring that Board procedures are complied with;
- under the direction of the Chairman, for ensuring good information flows with the Board and its Committees, as well as facilitating induction and assisting with professional development as required; and
- for advising, through the Chairman, on all corporate governance matters.

Board Committees

The terms of reference, which are reviewed annually, for each of the four Board Committees, may be found on the Company's website (**abrdnjapan.co.uk**) under 'Corporate Documents'.

Audit Committee

The Audit Committee is chaired by Claire Boyle and comprises all Directors of the Company. Full details of the Report of the Audit Committee are disclosed on pages 50 to 52.

Management Engagement Committee

The Management Engagement Committee is chaired by Karen Brade and comprises all Directors of the Company.

The Board monitors the resources and performance of the Manager during the financial year. The Committee undertakes a detailed annual review of the performance of the Manager and the terms of the management agreement.

As a result of these reviews, and the widening discount which has led to the necessity to hold a continuation vote, the Board has carried out a strategic review, resulting in the proposal to combine the assets with those of NAVF, which is managed by Rising Sun Management.

Remuneration Committee

The Remuneration Committee is chaired by Karen Brade and comprises all Directors of the Company due to the small size of the Board.

Remuneration has been set in order to attract individuals of a calibre appropriate to the future development of the Company. The Company's policy, together with details of the remuneration of each Director, is detailed in the Directors' Remuneration Report.

Nomination Committee

The Nomination Committee is chaired by Karen Brade and comprises all Directors of the Company. The Committee's duties include annual appraisals, succession planning, new appointments and training. New appointments are made on merit, taking into account the benefits of diversity. The Board's overriding priority is to appoint the most appropriate candidate and it has not set any measurable targets in relation to the diversity of the Board. The Committee reviews the composition, experience and commitment of the Directors.

Statement of Corporate Governance

Continued

New Directors are given appropriate induction from the Manager covering the Manager's operations, legal responsibilities and industry matters. Directors are provided with appropriate training on changes in regulatory requirements, relevant industry issues and developments and are able to participate in training courses run by the AIC and other financial services providers.

The Committee has undertaken an annual performance evaluation, using questionnaires and discussion, to ensure that the Directors have all devoted sufficient time and contributed adequately to the work of the Board and Committees and to consider each Director's independence and other commitments. The outcome of this evaluation was satisfactory in each case and each Director is committed to serve the Company effectively.

The Committee considers that the Board's current significant diversity of skills, experience and culture serve the Company well and should be a consideration in selecting a new Director.

All Directors of the Company will stand for re-election on an annual basis in line with the provisions of the UK Code.

The Chairman's performance appraisal is led by the Senior Independent Director. The Directors are unanimously of the opinion that Karen Brade, who was independent on appointment, remains independent of the Manager in character and judgment. She exercises independent thought, routinely considers shareholder views in decisions and is not overly reliant upon the Manager.

The Committee recommended, with the relevant Directors recusing themselves, the nomination for election or re-election, at the forthcoming AGM, of Karen Brade, Claire Boyle, Sam Dean and Sir David Warren. Karen Brade has over 25 years' investment experience in a range of sectors and markets, including equity and debt investing, portfolio management, fund raising and investor development in Asia. Claire Boyle is a chartered accountant and has over 20 years' experience of finance and equity investment management. Sam Dean has over 25 years of investment banking experience. Sir David Warren has over 40 years' experience and knowledge of Japan from his diplomatic career.

The Role of the Chairman and Senior Independent Director

The Chairman is responsible for providing effective leadership to the Board, by setting the tone of the Company, demonstrating objective judgement and promoting a culture of openness and debate. The Chairman facilitates the effective contribution of, and encourages active engagement by, each Director. In conjunction with the Company Secretary, the Chairman ensures that Directors receive accurate, timely and clear information to assist them with effective decision-making. The Chairman acts upon the results of the Board evaluation process by recognising strengths and addressing any weaknesses and also ensures that the Board engages with major shareholders and that all Directors understand shareholder views.

The role of the Senior Independent Director is to act as a sounding board for the Chairman and as an intermediary for other directors, when necessary. Working closely with the Nomination Committee, the Senior Independent Director takes responsibility for an orderly succession process for the Chairman, and leads the annual appraisal of the Chairman's performance. The Senior Independent Director is also available to shareholders to discuss any concerns they may have.

Communication with shareholders

The Company places a great deal of importance on communication with its shareholders. The Manager has an annual programme of meetings with institutional shareholders and reports back to the Board on them.

When shares in the Company are held in the name of nominee companies and notification has been received in advance, nominee companies will be provided with copies of shareholder communications for distribution to their customers. Nominee investors may attend and speak at general meetings.

Participants in the Manager's Savings Scheme are given the opportunity to vote by means of a Letter of Direction enclosed with the Annual Report. The Letter of Direction is forwarded to the administrator of the Savings Scheme, who will complete a proxy on behalf of the participants and forward it to the Company's registrars for inclusion in the voting figures.

As recommended best practice under the UK Code, the Annual Report is normally posted to shareholders at least 20 business days before the AGM. The Notice of Meeting sets out the business of the meeting and the resolutions are explained more fully in the Directors' Report. Separate resolutions are proposed for each substantive issue.

The Board encourages shareholders to attend and participate at the Company's AGM. The Investment Manager usually provides a presentation at the meeting outlining the key investment issues that affect the Company and all shareholders have the opportunity to raise questions. Proxy voting figures for each resolution are announced to the meeting after voting on a show of hands and details are available on the Company's website.

The Board's policy is to communicate directly with shareholders and their representative bodies without the involvement of the management group (either the Company Secretary or the Manager) in situations where direct communication is required. Shareholders have direct access to the Company via the Customer Services Department operated by the Manager. The Company also responds to letters from shareholders. Contact details may be found on page 106.

The Company maintains a website, **abrdnjapan.co.uk**, from which the Company's reports and other publications can be downloaded.

ESG Investing

Details of the Manager's Approach to ESG Integration in Equities is provided on pages 92 to 94.

The UK Stewardship Code and Proxy Voting

The Company supports the UK's Stewardship Code and seeks to play its role in supporting good stewardship of the companies in which it invests. Responsibility for actively monitoring the activities of portfolio companies has been delegated by the Board to the Manager which has sub-delegated that authority to the Investment Manager.

The Company has been assessed by the FRC as a Tier 1 signatory to the Stewardship Code and the full text of the Company's response to the Stewardship Code may be found on its website.

The Board has also given discretionary powers to the Manager to exercise voting rights on resolutions proposed by the investee companies within the Company's portfolio. The Manager reports on a quarterly basis on stewardship (including voting) issues.

Report of Audit Committee

Composition

The Audit Committee ("Committee") is chaired by Claire Boyle and comprises all Directors. In line with the AIC Code, Karen Brade is deemed to be an independent member of the Committee. The Committee is satisfied that it has the necessary recent and relevant financial experience and competence relevant to the investment trust sector to fulfil its responsibilities. The main responsibilities of the Committee include:

- to monitor the integrity of the annual and half yearly financial statements, including the accounting policies applied therein and to ensure compliance with financial and regulatory reporting requirements;
- to assess whether the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- to review and report to the Board on the significant issues and judgements made in connection with the financial reporting including the statement on the Company's viability;
- to review the internal control and risk management systems on which the Company is reliant and meet the needs of the Company and provide appropriate mitigation to the risks of the Company's operations.
- to consider annually the need for the Company to have its own internal audit function;
- as the Company has no employees, to consider the Manager's arrangements whereby staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters ('whistleblowing');
- to consider the re-appointment, remuneration and terms of engagement of the external auditor and to review annually the external auditor's independence, objectivity, effectiveness, resources and qualification;
- to consider reports from the external auditor, including its audit strategy and findings; and
- to develop and implement policy on the engagement of the external auditor to supply non-audit services. All non-audit services must be approved in advance by the Committee.

The Committee undertakes an annual performance evaluation, in relation to discharging its responsibilities, through questionnaires and discussion.

The respective responsibilities of the Directors and the external auditor in connection with the financial statements appear on pages 56 and 62.

Activities during the Year

The Committee meets at least twice per year when it reviews the annual and half yearly financial reports in detail. Reports from the Manager's internal audit, risk and compliance departments are also considered by the Committee which cover internal control systems, risk and the conduct of the business in the context of its regulatory environment. The Committee also receives reports directly from the independent depositary on the effectiveness of its operations and internal controls.

As announced in the Company's Half Yearly Report for the period ending 30 September 2022, the Board, led by the Audit Committee, undertook an early audit tender in 2022. This followed the Board's observation of a general trend of rising audit fees across the industry and discussion with KPMG about future fees. The successful audit tender, in which KPMG did not participate, resulted in the appointment of Johnston Carmichael LLP ("Johnston Carmichael") for the financial year ending 31 March 2023. KPMG resigned as the Company's external auditor on 15 November 2022. The Board formally thanks KPMG for their professional support and diligent service throughout their appointment

Significant Accounting Issue

In light of the requirement under the articles of association to hold a continuation vote, the outcome of the strategic review, and the resulting announcement made on 18 May 2023, the Committee considered the appropriateness of continuing to prepare the financial statements on a going concern basis. Notwithstanding the material uncertainty surrounding this, the Committee concluded it remained appropriate to do so. The going concern statement can be found on pages 41 and 42.

The other significant accounting issue considered by the Committee, including those communicated by the external auditor, in relation to the Company's financial statements for the year to 31 March 2023 was the valuation, existence and ownership of investments. The valuation of investments is undertaken in accordance with the stated accounting policies. All investments are in quoted securities in active markets, are considered to be liquid and have been categorised as Level 1 within FRS 102 fair value hierarchy. The portfolio holdings and their pricing is reviewed and verified by the Manager on a regular basis and management accounts, including a full portfolio listing, are prepared for each Board meeting. The Company used the services of an independent Depositary (BNP Paribas Trust Corporation UK Limited) during the year under review to hold the assets of the Company. The investment portfolio is reconciled regularly by the Manager. The Committee reviews internal control reports from the Manager which provides details of the controls in place regarding the recording and pricing of investments. In addition, the Depositary, which is appointed to safeguard the Company's assets, checks its records on a monthly basis.

Other Accounting Issues

Other accounting issues considered by the Committee include:

- Improper revenue recognition, including allocation of special dividends as revenue or capital returns. Investment income is accounted for in accordance with stated accounting policies and regularly reviewed by the Committee. The Board regularly reviews the Company's income and revenue forecasts.
- Compliance with investment trust status, under section 1158 of the Corporation Tax Act 2010 which is monitored by the Manager on an ongoing basis and reported to the Committee.
- The functional currency for the Company. The Company's investments and borrowings are made in Japanese yen, however the Board considers the Company's functional currency to be Sterling.

Review of Auditor

The Committee undertook an audit tender process during the year, resulting in the appointment of Johnston Carmichael LLP for the financial year ended 31 March 2023.

In accordance with professional and regulatory standards, the audit partner responsible for the audit is rotated at least every five years in order to protect independence and objectivity and to provide fresh challenge to the business. The senior statutory auditor, Richard Sutherland, has served for the audit of one financial year (ended 31 March 2023).

The Committee has reviewed the independence and the effectiveness of the auditor, Johnston Carmichael, as follows:

- The auditor reports on an annual basis the steps it takes to ensure its independence and objectivity and confirms that it has complied with the relevant UK independence guidelines. The level of non-audit services provided by the auditor is assessed and for the year ended 31 March 2023 there were no non-audit services provided.
- The Committee considers the experience, continuity and tenure of the audit team, including the senior statutory auditor. The audit team consists of suitably experienced staff with knowledge of the investment trust sector and there is a process in place for the rotation of the audit director.
- The Committee assesses the level of audit service annually. The audit plan is reviewed well in advance and subsequent audit findings are reported comprehensively in a timely manner and are resolved satisfactorily. The auditor has already developed a good working relationship with both the Board and the Manager.

Following a review, the Committee is satisfied that Johnston Carmichael remains independent and effective and supports the appointment of Johnston Carmichael as auditor for approval at the forthcoming AGM.

Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. The Audit Committee confirms that as at 31 March 2023 there was a robust process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this annual report and financial statements, and is regularly reviewed by the Board and accords with the Financial Reporting Council's Guidance on Internal Controls.

Report of Audit Committee

Continued

Under the Management Agreement, the management of the Company's assets has been delegated to the Manager within overall guidelines. Risks are identified and documented through a risk management framework by each function within the Manager's activities. The internal control systems operated by the Manager are monitored and supported by internal audit and compliance function which undertakes periodic examination of business processes, including compliance with the terms of the management agreement, and ensures that recommendations to improve controls are implemented.

The Committee has reviewed the effectiveness of the Manager's system of internal control, in particular the process for identifying and evaluating the significant risks affecting the Company, including financial, operational, regulatory and compliance, and the policies by which these risks are managed.

In addition, the Committee has adopted its own risk matrix which identifies the key risks for the Company and covers strategy, investment management, operations, regulatory and financial obligations and third party service providers. A monitoring system is undertaken whereby the controls to mitigate these risks, and the impact of the residual risks, are assessed on a regular basis. The risk matrix is formally reviewed on a six monthly basis in order to identify emerging risks which may arise. Details of the risks faced by the Company during the financial year are provided in the Overview of Strategy.

The key components designed to provide effective internal control are outlined below:

- the Manager prepares management reports, covering investment activities and financial matters which allow the Board to assess the Company's activities and review its performance;
- the Board and Investment Manager have agreed clearly defined investment criteria, specified levels of authority and exposure limits. Reports on these issues, including performance statistics and investment valuations, are regularly submitted to the Board and there are meetings with the Manager as appropriate;
- the Manager's internal audit, risk and compliance departments continually review the Manager's operations and reports to the Committee on a six monthly basis. A representative from the Manager's internal audit team meets with the Committee annually;
- written agreements are in place which specifically define the roles and responsibilities of the Manager and other third party service providers; and
- an independent depositary, BNP Paribas Trust Corporation UK Limited, is appointed to safeguard the Company's investments, which are registered in the name of the depositary's nominee company.

The Committee has monitored developments within abrdn plc to ensure that the effective management of the Company, including its performance, continues. The Committee has considered the need for an internal audit function but, because of the compliance and internal control systems in place at the Manager, has decided to place reliance on the Manager's systems and internal audit procedures. During the year the Committee reviewed detailed reports from the Manager's internal audit, risk and compliance functions in addition to a report from the Depositary covering their functions in relation to safeguarding the Company's assets.

Internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against mis-statement and loss.

No significant failings or weaknesses in the Company's process for identifying, evaluating and managing the significant risks faced by the Company were identified during the year under review.

Claire Boyle,
Audit Committee Chairman
5 June 2023

Directors' Remuneration Report

The Board has prepared this Remuneration Report in accordance with the regulations governing the disclosure and approval of Directors' remuneration. This Remuneration Report comprises three parts:

i. a Remuneration Policy, set out below, which was last approved by shareholders at the Annual General Meeting held in 2020. This policy is subject to a vote at least every three years. Any change to this policy during this interval would also require shareholder approval.

ii. an annual Implementation Report, which provides information on how the Remuneration policy has been applied during the year and will be subject to an advisory vote.

iii. an Annual Statement.

The law requires the Company's auditor to audit certain of the disclosures provided in the Remuneration Report. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the report on pages 57 to 63.

The principles remain the same as for previous years. There have been no changes to the Directors' Remuneration Policy during the period of this Report nor are there any proposals for the foreseeable future, except for the level of Directors' fees as set out in the Implementation Report below.

Remuneration Policy for Directors

The Remuneration Policy takes into consideration the principles of the UK Corporate Governance Code and the AIC's recommendations regarding the application of those principles to investment companies. Directors' remuneration is determined by the Remuneration Committee which comprises all Directors of the Company.

The Remuneration Policy will be put to shareholder vote at the forthcoming Annual General Meeting.

Directors' Fees

The Directors are non-executive and their fees are set within the limits of the Company's articles of association, which limit the aggregate fees payable to £200,000 per annum. The limit may only be increased by a shareholder resolution. The Directors' fees for the year to 31 March 2023 totalled £117,500 (2022: £.104,000).

Subject to this overall limit, the Board's policy is that the remuneration of non-executive Directors should reflect the nature of their duties, responsibilities and the value of their time spent and be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure and have a similar investment objective. No shareholder views were sought in setting the remuneration policy although any comments received from shareholders would be considered on an on-going basis.

Fee rates are established after reviewing external sources as to current market levels.

	From 1 April 2023 £	**From 1 April 2022 £**
Chairman	**36,000**	36,000
Chairman of Audit Committee	**29,500**	29,500
Director	**26,000**	26,000

Appointment of Directors

- The Company only intends to appoint non-executive Directors under the terms of Letters of Appointment.
- Directors must retire and be subject to election at the first AGM after their appointment, and annually thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment.
- No incentive or introductory fees will be paid to encourage a Directorship.
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- The Company indemnifies its Directors for costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.
- The Directors are entitled to be reimbursed for out-of-pocket expenses incurred in connection with performing their duties including travel expenses.

Directors' Remuneration Report

Continued

Performance, Service Contracts, Compensation and Loss of Office

- The Directors' remuneration is not subject to any performance related fee.
- No Director has a service contract.
- No Director was interested in contracts with the Company during the period or subsequently.
- The terms of appointment provide that a Director may be removed without notice.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment or any assets of the Company.

Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

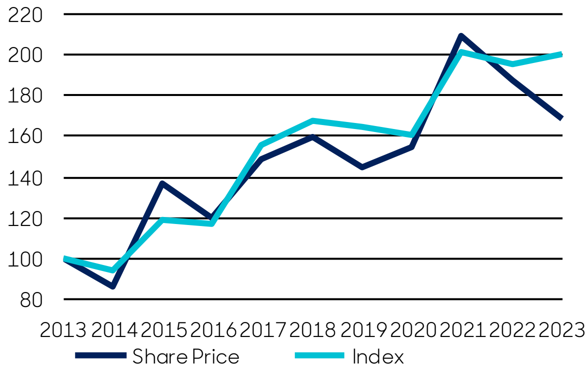
Implementation Report

Directors' Fees Increase

During the financial year the Board carried out a review of the level of Directors' fees and there would be no increase effective from 1 April 2023. There are no further fees to disclose as the Company has no employees, Chief Executive or Executive Directors.

Company Performance

During the year the Board carried out a review of investment performance. The graph below shows the share price and NAV total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total return from a composite index, in Sterling terms, consisting of the MSCI All Countries Asia Pacific Index (including Japan) up to 7 October 2013 and the TOPIX Index thereafter, for the ten year period ended 31 March 2023 (rebased to 100 at 31 March 2013). This index was chosen for comparison purposes, as it is the reference index used for investment performance measurement purposes.



Statement of Voting at General Meeting

At the Company's last AGM, held on 1 July 2022, shareholders approved the Directors' Remuneration Report (excluding the Director's Remuneration Policy) in respect of the year ended 31 March 2022. 99.4% of proxy votes were in favour of the resolution, 0.4% were against, and 0.2% abstained.

At the AGM held on 24 July 2020, shareholders approved the Directors' Remuneration Policy with 99.5% of proxy votes in favour of the resolution, 0.3% against and 0.2% abstained. The Remuneration Policy will be put to shareholder vote at the forthcoming Annual General Meeting.

Spend on Pay

As the Company has no employees, the Directors do not consider it appropriate to present a table comparing remuneration paid to employees with distributions to shareholders. Details of distributions to shareholders by way of dividend can be found in Note 8 on page 76. The total fees paid to Directors are shown on page 55.

Audited Information

Fees Payable

The Directors who served in the year received the fees in the table below which exclude employers' NI payable. This represents the entire remuneration paid to the Directors.

Director	2023 £	2022 £
Karen Brade	**36,000**	32,000
Claire Boyle	**29,500**	26,000
Sam Dean	**26,000**	23,000
Sir David Warren	**26,000**	23,000
Total	**117,500**	**104,000**

Fees are pro-rated where a change takes place during a financial year. No fees were paid to third parties.

Annual Percentage Change in Directors' Remuneration

The following table sets out the annual percentage change in Directors' fees for the years from 31 March 2021 to 31 March 2023.

Director	2023 %	2022 %	2021 %
Karen Brade	**12.5**	6.6	3.5
Claire Boyle	**13.5**	8.3	10.3
Sam Dean[1]	**13.0**	7.0	n/a
Sir David Warren	**13.0**	7.0	3.6

[1] Appointed on 1 December 2020.

Directors' Interests in the Company

Directors are not required to have a shareholding in the Company. The Directors (including their connected persons) at 31 March 2023 and 31 March 2022 had no interest in the share capital of the Company other than those interests, all of which are beneficial interests, shown in the table below.

	31 March 2023 Ord 10p	31 March 2022 Ord 10p
Karen Brade	**1,664**	1,628
Claire Boyle	**nil**	nil
Sam Dean [1]	**nil**	nil
Sir David Warren	**3,610**	3,526

[1] Appointed on 1 December 2020.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the year ended 31 March 2023:

- the major decisions on Directors' remuneration;
- any substantial changes relating to Directors' remuneration made during the year; and
- the context in which the changes occurred and in which decisions have been taken.

The Directors' Remuneration Report was approved by the Board of Directors and signed on its behalf by:

Karen Brade,
Chairman
5 June 2023

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law, including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties that they face.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

For and on behalf of abrdn Japan Investment Trust plc
Karen Brade,
Chairman
5 June 2023

Independent Auditor's Report for abrdn Japan Investment Trust plc

Opinion

We have audited the financial statements of abrdn Japan Investment Trust plc ("the Company"), for the year ended 31 March 2023, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 2 (a) within the financial statements, which indicates that under the requirements of the articles of association a resolution to continue the Company will be put to the Company's shareholders as the Ordinary shares traded at an average discount in excess of 10% to the underlying NAV over the 90-days preceding the Company's financial year end. On 18 May 2023 the Board announced that heads of terms had been agreed for a combination of the assets of the Company with Nippon Active Value Fund plc (NAVF) by way of a Section 110 Scheme of Reconstruction ("the Proposal"). This reconstruction is subject to shareholder, regulatory and tax approval. As stated in Note 2 (a), these events indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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

- Evaluating management's method of assessing going concern, including consideration of the continuation vote and the Proposal, loan covenants and market conditions and uncertainties;
- Assessing and challenging the forecast cashflows and associated sensitivity modelling used by the Directors in support of their going concern assessment;
- Obtaining and recalculating management's assessment of the Company's ongoing maintenance of investment trust status;
- Evaluating management's assessment of the business continuity plans of the Company's main service providers; and
- Assessing the adequacy of the Company's going concern disclosures included in the Annual Report.

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

Independent Auditor's Report for abrdn Japan Investment Trust plc

Continued

Our approach to the audit

We planned our audit by first obtaining an understanding of the Company and its environment, including its key activities delegated by the Board to relevant approved third-party service providers and the controls over provision of those services.

We conducted our audit using information maintained and provided by abrdn Japan Limited (the "Investment Manager"), abrdn Fund Managers Limited ("AIFM"), abrdn Holdings Limited (the "Company Secretary"), BNP Paribas Securities Services (the "Administrator"), BNP Paribas Trust Corporation UK Limited (the "Depositary"), BNP Paribas Securities Services, London Branch (the "Custodian") and Computershare Investor Services PLC (the "Registrar") to whom the Company has delegated the provision of services.

We tailored the scope of our audit to reflect our risk assessment, taking into account such factors as the types of investments within the Company, the involvement of the Administrator, the accounting processes and controls, and the industry in which the Company operates.

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in the evaluation of the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

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

In addition to the matter described in the Material uncertainty related to going concern section, we summarise below the key audit matters in arriving at our audit opinion above, together with how our audit addressed these matters and the results of our audit work in relation to these matters.

Key audit matter	How our audit addressed the key audit matter and our conclusions
Valuation and ownership of investments (as described on pages 50 and 51 in the Report of Audit Committee and as per the accounting policy on page 71 and Note 10). At 31 March 2023 the valuation of the investment portfolio was £92.8m (2022: £99.6m) accounting for 111.9% of net assets (2022: 110.7%). As this is the largest component of the Company's Statement of Financial Position, and a key driver of the Company's net assets and total return, this has been designated as a key audit matter, being one of the most significant assessed risks of material misstatement due to fraud or error. There is a further risk that the investments held at fair value may not be actively traded and the quoted prices may not be reflective of their fair value (valuation). Additionally, there is a risk that the Company does not have proper legal title to the investments recorded as held at year end (ownership).	We obtained and assessed controls reports provided by BNP Paribas Securities Services (administrator) and BNP Paribas Trust Corporation UK Limited (custodian) to evaluate the design of the process and implementation of key controls. We compared market prices applied to all investments held at 31 March 2023 to an independent third-party source and recalculated the investment valuations. We obtained average trading volumes from an independent third-party source for all investments held at year end and assessed their liquidity. We agreed the ownership of all investments held at year end to the independently received custodian report. From our completion of these procedures, we identified no material misstatements in relation to the valuation and ownership of the investments.

Revenue recognition, including allocation of special dividends as revenue or capital returns (as described on page 51 in the Report of Audit Committee and as per the accounting policy on page 71 and Note 3). Investment income recognised in the year to 31 March 2023 was £1.8m (2022: £2.0m), consisting of dividend income from investments. Revenue-based performance metrics are often one of the key performance indicators for stakeholders. The investment income received by the Company during the year directly impacts these metrics and the minimum dividend required to be paid by the Company. There is a risk that revenue is incomplete or inaccurate through failure to recognise income entitlements or failure to appropriately account for their treatment. It has therefore been designated as a key audit matter being one of the most significant assessed risks of material misstatement due to fraud or error. Additionally, there is a risk of incorrect allocation of special dividends as revenue or capital returns as judgement is required in determining their allocation within the Statement of Comprehensive Income.	We obtained and assessed controls reports provided by BNP Paribas Securities Services (administrator) and BNP Paribas Trust Corporation UK Limited (custodian) to evaluate the design of the process and implementation of key controls. We confirmed that income was recognised and disclosed in accordance with the AIC SORP by assessing the accounting policies. We recalculated 100% of dividends due to the Company based on investment holdings throughout the year and announcements made by investee companies. We agreed a sample of dividends received to bank statements. We assessed the completeness of the special dividend population with reference to third party market data and determined whether special dividends recognised were revenue or capital in nature with reference to the underlying commercial circumstances of the dividend payments. From our completion of these procedures, we identified no material misstatements in relation to revenue recognition, including allocation of special dividends as revenue or capital returns.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature and extent of our work and in evaluating the results of that work.

Materiality measure	Value
Materiality for the financial statements as a whole – we have set materiality as 1% of net assets as we believe that net assets is the primary performance measure used by investors and is the key driver of shareholder value. It is also the standard industry benchmark for materiality for investment trusts and we determined the measurement percentage to be commensurate with the risk and complexity of the audit and the Company's listed status.	£830,000
Performance materiality – performance materiality represents amounts set by the auditor at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting this we consider the Company's overall control environment and any experience of the audit that indicates a lower risk of material misstatements. Based on our judgement of these factors, we have set performance materiality at 50% of our overall financial statement materiality as this is our first year as auditor.	£415,000

Independent Auditor's Report for abrdn Japan Investment Trust plc

Continued

Specific materiality – recognising that there are transactions and balances of a lesser amount which could influence the understanding of users of the financial statements we calculate a lower level of materiality for testing such areas. Specifically, given the importance of the distinction between revenue and capital for the Company, we also applied a separate testing threshold for the revenue column of the Statement of Comprehensive Income, set at the higher of 5% of the net return before taxation and our Audit Committee Reporting Threshold. We have also set a separate specific materiality in respect of related party transactions and Directors' remuneration. We used our judgement in setting these thresholds and considered our experience and industry benchmarks for specific materiality.	£54,000
Audit Committee reporting threshold – we agreed with the Audit Committee that we would report to them all differences in excess of 5% of overall materiality in addition to other identified misstatements that warranted reporting on qualitative grounds, in our view. For example, an immaterial misstatement as a result of fraud.	£42,000

During the course of the audit, we reassessed initial materiality and found no reason to alter the basis of calculation used at year-end.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A corporate governance statement has not been prepared by the Company.

Corporate governance statement

We have reviewed the Directors' Statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 41 and 42;
- The Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 20 and 21;
- The Directors' statement on fair, balanced and understandable set out on page 56;
- The Directors' statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities set out on page 21;
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 16;
- The section of the annual report that describes the review of the effectiveness of risk management and internal control systems set out on pages 51 and 52; and
- The section describing the work of the Audit Committee set out on pages 50 to 52.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 56, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report for abrdn Japan Investment Trust plc

Continued

Auditor responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- Companies Act 2006;
- FCA listing and DTR rules;
- The principles of the UK Corporate Governance Code applied by the AIC Code of Corporate Governance (the "AIC Code");
- Industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in July 2022;
- Financial Reporting Standard 102; and
- The Company's qualification as an investment trust under section 1158 of the Corporation Tax Act 2010.

We gained an understanding of how the Company is complying with these laws and regulations by making enquiries of management and those charged with governance. We corroborated these enquiries through our review of relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. We identified a heightened fraud risk in relation to the completeness and allocation of special dividends and management override. Audit procedures performed in response to these risks are set out in the section on key audit matters above.

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance for reference to: breaches of laws and regulation or for any indication of any potential litigation and claims; and events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias;
- Completion of appropriate checklists and use of our experience to assess the Company's compliance with the Companies Act 2006 and the Listing Rules; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board on 15 November 2022 to audit the financial statements for the year ended 31 March 2023 and subsequent financial periods. The period of our total uninterrupted engagement is one year, covering the year ended 31 March 2023.

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

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

Use of our report

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

Richard Sutherland (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP
Statutory Auditor
Edinburgh, United Kingdom,
5 June 2023

Financial Statements

For the year to 31 March 2023, your Company's revenue return per Ordinary share decreased to 7.1p (2022: 8.5p) and the Board proposes to pay a total dividend amounting to 12.0p (2022: 15.0p).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Statement of Comprehensive Income

		Year ended 31 March 2023			Year ended 31 March 2022		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net losses on investments	10	**–**	**(5,002)**	**(5,002)**	–	(11,731)	(11,731)
Income	3	**1,804**	**–**	**1,804**	1,996	–	1,996
Exchange gains	14	**–**	**297**	**297**	–	501	501
Management fee	4	**(213)**	**(320)**	**(533)**	(276)	(413)	(689)
Administrative expenses	5	**(463)**	**(10)**	**(473)**	(353)	(6)	(359)
Net return before finance costs and taxation		**1,128**	**(5,035)**	**(3,907)**	1,367	(11,649)	(10,282)
Finance costs	6	**(56)**	**(84)**	**(140)**	(57)	(85)	(142)
Net return before taxation		**1,072**	**(5,119)**	**(4,047)**	1,310	(11,734)	(10,424)
Taxation	7	**(180)**	**–**	**(180)**	(200)	–	(200)
Net return after taxation		**892**	**(5,119)**	**(4,227)**	1,110	(11,734)	(10,624)
Return per Ordinary share (pence)	9	**7.11**	**(40.83)**	**(33.72)**	8.54	(90.24)	(81.70)

The total column of this statement represents the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

The accompanying notes are an integral part of the financial statements.

Statement of Financial Position

	Notes	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	**92,822**	99,576
Current assets			
Debtors	11	**767**	1,154
Cash at bank and in hand		**283**	264
		1,050	1,418
Creditors: amounts falling due within one year	12		
Foreign currency bank loans		**(10,319)**	(10,634)
Other creditors		**(599)**	(430)
		(10,918)	(11,064)
Net current liabilities		**(9,868)**	(9,646)
Net assets		**82,954**	89,930
Share capital and reserves			
Share capital	13	**1,582**	1,582
Share premium		**6,656**	6,656
Capital redemption reserve		**2,273**	2,273
Capital reserve	14	**70,987**	77,788
Revenue reserve		**1,456**	1,631
Equity shareholders' funds		**82,954**	89,930
Net asset value per Ordinary share (pence)	15	**667.26**	713.43

The financial statements were approved and authorised for issue by the Board of Directors on 5 June 2023 and were signed on its behalf by:

Karen Brade

Chairman

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Equity

For the year ended 31 March 2023

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 March 2022		1,582	6,656	2,273	77,788	1,631	89,930
Return after taxation		–	–	–	(5,119)	892	(4,227)
Dividends paid	8	–	–	–	(691)	(1,067)	(1,758)
Purchase of Ordinary shares to be held in treasury	13	–	–	–	(991)	–	(991)
Balance at 31 March 2023		1,582	6,656	2,273	70,987	1,456	82,954

For the year ended 31 March 2022

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 31 March 2021		1,582	6,656	2,273	95,169	1,758	107,438
Return after taxation		–	–	–	(11,734)	1,110	(10,624)
Dividends paid	8	–	–	–	(724)	(1,237)	(1,961)
Purchase of Ordinary shares to be held in treasury	13	–	–	–	(4,923)	–	(4,923)
Balance at 31 March 2022		1,582	6,656	2,273	77,788	1,631	89,930

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Operating activities		
Net return before taxation	**(4,047)**	(10,424)
Adjustment for:		
Losses on investments	**5,002**	11,731
Increase/(decrease) in other creditors	**85**	(114)
Finance costs	**140**	142
Expenses taken to capital reserve	**10**	6
Foreign exchange gains	**(297)**	(501)
Overseas withholding tax	**(180)**	(200)
Decrease/(increase) in accrued dividend income	**126**	(31)
Decrease in other debtors	**–**	11
Net cash inflow from operating activities	**839**	620
Investing activities		
Purchases of investments	**(44,744)**	(26,105)
Sales of investments	**46,829**	32,137
Expenses allocated to capital	**(10)**	(6)
Net cash inflow from investing activities	**2,075**	6,026
Financing activities		
Bank and loan interest paid	**(135)**	(146)
Equity dividends paid	**(1,758)**	(1,961)
Purchase of own shares to treasury	**(991)**	(4,791)
Net cash outflow from financing activities	**(2,884)**	(6,898)
Increase/(decrease) in cash	**30**	(252)
Analysis of changes in cash during the year		
Opening balance	**264**	528
Effects of exchange rate fluctuations on cash held	**(11)**	(12)
Increase/(decrease) in cash as above	**30**	(252)
Closing balance	**283**	264

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 31 March 2023

1. Principal activity

The Company is a closed-end investment company, registered in England and Wales No. 03582911, with its Ordinary shares being listed on the London Stock Exchange.

2. Accounting policies

(a) Basis of accounting and going concern. The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ("SORP") issued by the Association of Investment Companies ("AIC") in July 2022. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

The Board has considered and sought advice on the appropriateness of continuing to prepare the Financial Statements on a going concern basis. Notwithstanding the material uncertainty in relation to the announcement of the proposed combination of the Company's assets with the assets of NAVF – which would involve a scheme of reconstruction resulting in the voluntary liquidation of the Company – the Board concluded that it remained appropriate to continue to prepare the Financial Statements on a going concern basis.

The Company's assets consist mainly of equity shares in companies listed on a recognised stock exchange and in most circumstances, including in the current market environment, are considered to be realisable within a short timescale. The Board has reviewed the results of stress testing prepared by the Manager in relation to the ability of the assets to be realised in the current market environment.

The Company does not have a fixed life. However, under the articles of association, if, in the 90 days preceding the Company's financial year-end (31 March), the Ordinary shares have been trading, on average, at a discount in excess of 10% to the underlying NAV over the same period, notice will be given of an ordinary resolution to be proposed at the following AGM to approve the continuation of the Company. In the 90 days to 31 March 2023, the Ordinary shares traded at an average discount of 14.0% to the underlying NAV. Accordingly, a resolution on the continuation of the Company will be put to the Company's shareholders as part of the Proposal at the general meetings and AGM at a date to be notified to shareholders in due course.

The Company has a fixed term loan facility of JPY 1.3 billion in place until January 2024 and a revolving loan facility of JPY 1.0 billion in place until December 2024. The Board has set limits for borrowing and regularly reviews the Company's gearing levels and its compliance with bank covenants. A replacement option would be sought in advance of the expiry of the facility in January 2024, or, should the Board decide not to renew this facility, any outstanding borrowing would be repaid through the proceeds of equity sales as required.

The Company's portfolio comprises wholly "Level 1" assets (listed on a recognisable exchange and realisable within a short timescale). The results of stress testing prepared by the Manager, which models a sharp decline in market levels and income, demonstrated that the Company had the ability to raise sufficient funds so as to remain within its debt covenants and pay expenses.

Taking the above factors into consideration, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence and discharge its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

On 18 May 2023, the Board announced its agreement in principle of Heads of Terms for the proposed combination of the assets of the Company with the assets of NAVF, to be implemented, subject to shareholder approval, through a scheme of reconstruction under section 110 of the Insolvency Act 1986, resulting in the voluntary liquidation of the Company. More detail can be found in the Chairman's Statement on pages 8 to 10 and in the RNS announcement itself.

The Board believes that the Proposal is in the best interests of shareholders and recommends that shareholders vote in favour of the relevant resolutions, including the continuation vote, at the general meetings to be held in due course, which would result in the scheme being implemented. However, due to the requirements for:

a) the continuation vote; and

b) approvals from shareholders of both companies, and for regulatory approval for NAVF's move to a premium listing on the Main Market of the London Stock Exchanges, which is a condition of the Proposal.

There can be no certainty of the outcome at the date of this Annual Report and, therefore, there remains material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

Should the Proposal not receive the necessary shareholder or regulatory approvals, or should the continuation vote not be passed, the Board believes from the work carried out during the strategic review, that other attractive options remain available for shareholders in the Japan fund sector, which can be pursued, and accordingly the Board has prepared the financial statements on a going concern basis.

The Company's financial statements are presented in Sterling, which is also the functional currency as it is the basis upon which shareholders operate and expenses are generally paid. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The accounting policies applied are unchanged from the prior year and have been applied consistently.

(b) **Valuation of investments**. The Company's business is investing in financial assets with a view to profiting from their total return in the form of income and capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis, in accordance with a documented investment strategy, and information about the portfolio is provided internally on that basis to the Company's Board of Directors. Accordingly, upon initial recognition the Company designates the investments 'at fair value through profit or loss'. Fair value is taken to be the investment's cost at the trade date (excluding expenses incidental to the acquisition which are written off in the Statement of Comprehensive Income, and allocated to 'capital' at the time of acquisition).

Subsequent to initial recognition, investments continue to be designated at fair value through profit or loss, which is deemed to be bid prices, where the bid price is available, or otherwise at fair value based on published price quotations.

(c) **Income**. Dividends, including taxes deducted at source, are included in revenue by reference to the date on which the investment is quoted ex-dividend. Special dividends are reviewed on a case-by-case basis and may be credited to capital, if circumstances dictate. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Where the Company has elected to receive its dividends in the form of additional shares rather than cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves. Interest receivable on bank balances is dealt with on an accruals basis.

Where applicable the dividend income is disclosed net of irrecoverable taxes deducted at source.

(d) **Expenses. All expenses are accounted for on an accruals basis. Expenses are allocated to revenue in the Statement of Comprehensive Income except as follows:**

– expenses are allocated and borne by capital where a connection with the maintenance or enhancement of the value of the investments can be demonstrated. In this respect, the investment management fee is allocated 40% to revenue and 60% to realised capital reserves to reflect the Company's investment policy and prospective income and capital growth; and

– transaction costs associated with the purchase and sale of investments are charged to capital.

(e) **Taxation**. The tax payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are never taxable or deductible (see note 7 for a more detailed explanation). The Company has no liability for current tax.

Deferred taxation. Deferred taxation is provided on all timing differences, that have originated but not reversed at the Statement of Financial Position date, where transactions or events that result in an obligation to pay more or a right to pay less tax in future have occurred at the Statement of Financial Position date, measured on an undiscounted basis and based on tax rates expected to apply in the period that the timing differences reverse. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods. Due to the Company's status as an investment trust company, and the intention to continue to meet the conditions required to maintain approval for the foreseeable future, the Company has not provided deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

(f) **Nature and purpose of share capital and reserves**

Share capital. The Ordinary share capital on the Statement of Financial Position relates to the number of shares in issue and in treasury. Only when the shares are cancelled, either from treasury or directly, is a transfer made to the capital redemption reserve. Share capital is not distributable.

Share premium. The balance classified as share premium includes the premium above nominal value from the proceeds on issue of any equity share capital comprising Ordinary shares of 10p. This reserve is not distributable.

Capital redemption reserve. The capital redemption reserve is used to record the amount equivalent to the nominal value of any of the Company's own shares purchased and cancelled in order to maintain the Company's capital. This reserve is not distributable.

Capital reserve. Gains or losses on disposal of investments and changes in fair values of investments are transferred to the capital reserve. The capital element of the management fee and relevant finance costs are charged to this reserve. Any associated tax relief is also credited to this reserve. The costs of share buybacks to be held in treasury are also deducted from this reserve. The capital reserve, to the extent that the gains are deemed realised, is distributable including by way of dividend.

Revenue reserve. This reserve reflects all income and costs which are recognised in the revenue column of the Statement of Comprehensive Income. The revenue reserve is distributable by way of a dividend.

(g) **Foreign currencies**. Transactions involving foreign currencies are converted at the rate ruling at the date of the transaction.

Foreign currency asset and liability balances are translated to Sterling at the middle rate of exchange at the year end. Differences arising from translation are treated as capital gain or loss to capital or revenue within the Statement of Comprehensive Income depending upon the nature of the gain or loss.

(h) **Dividends payable**. Dividends are recognised in the financial statements in the period in which they are paid.

(i) **Borrowings**. All secured borrowings are initially recognised at cost, being the fair value of the consideration received, less issue costs where applicable. After initial recognition, all interest bearing borrowings are subsequently measured at amortised cost. The finance costs of such borrowings are accounted for on an accruals basis using the effective interest rate method and are charged 40% to revenue and 60% to realised capital reserves to reflect the Company's investment policy and prospective income and capital growth.

(j) **Significant estimates and judgements**. The Directors do not believe that any accounting judgements or estimates have been applied to these financial statements that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year. The Directors believe that there are two key judgements. Firstly, that the use of the going concern basis with material uncertainty is appropriate for the Company. Secondly, that the Company's investments and borrowings are made in Japanese Yen, however the Board considers the Company's functional currency to be Sterling. In arriving at this conclusion, the Board considered that the shares of the Company are listed on the London Stock Exchange, it is regulated in the United Kingdom, principally having its shareholder base in the United Kingdom and also, pays dividends and expenses in Sterling.

3. Income

	2023 £'000	2022 £'000
Income from investments		
Overseas dividends	**1,804**	1,996
Total income	**1,804**	1,996

4. Management fee

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	**213**	**320**	**533**	276	413	689

For the year ended 31 March 2023 management and secretarial services were provided by abrdn Fund Managers Limited ("aFML"). The agreement for the provision of investment management services has been sub-delegated to abrdn Japan Limited.

The management fee is charged on the lesser of the Company's net asset value or market capitalisation, payable monthly in arrears. Market capitalisation is defined as the closing share price quoted on the London Stock Exchange multiplied by the number of shares in issue less the number of any shares held in treasury, as determined on the last business day of the applicable calendar month to which the fee relates. The balance due to aFML at the year end was £177,000 (2022 – £101,000).

Notes to the Financial Statements

Continued

5. Administrative expenses

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Promotional fees	**54**	**–**	**54**	53	–	53
Directors' fees	**118**	**–**	**118**	104	–	104
Custody fees	**25**	**–**	**25**	20	–	20
Depositary fees	**9**	**–**	**9**	11	–	11
Registrars fees	**35**	**–**	**35**	38	–	38
Printing and postage	**26**	**–**	**26**	22	–	22
Legal and professional fees	**38**	**–**	**38**	20	–	20
Transaction costs on investment purchases	**–**	**10**	**10**	–	6	6
Auditor's remuneration (excluding irrecoverable VAT):						
– fees payable to the Company's auditor for the audit of the annual accounts	**44**	**–**	**44**	44	–	44
Other	**114**	**–**	**114**	41	–	41
	463	**10**	**473**	353	6	359

The management agreement with aFML also provides for the provision of promotional activities. The total fees paid and payable under the management agreement in relation to promotional activities were £54,000 (2022 – £53,000) with a balance of £13,000 (2022 – £13,000) being due to aFML at the year end. The Company has an agreement with aFML for the provision of company secretarial services and administration services; no separate fee is charged to the Company in respect of this agreement.

6. Finance costs

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Bank loans	**56**	**84**	**140**	57	85	142

7. Taxation

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(a) Analysis of charge for the year						
Irrecoverable overseas taxation	**180**	**–**	**180**	200	–	200
Total tax charge	**180**	**–**	**180**	200	–	200

(b) Factors affecting current tax charge for the year. The tax assessed for the year is higher (2022 – higher) than the standard rate of corporation tax in the UK. The differences can be explained below:

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return before taxation	**1,072**	**(5,119)**	**(4,047)**	1,310	(11,734)	(10,424)
Net return multiplied by standard rate of corporation tax in the UK of 19% (2022 – 19%)	**204**	**(973)**	**(769)**	249	(2,230)	(1,981)
Effects of:						
Losses on investments not taxable	**–**	**952**	**952**	–	2,230	2,230
Currency gains not taxable	**–**	**(56)**	**(56)**	–	(95)	(95)
Irrecoverable overseas withholding tax	**180**	**–**	**180**	200	–	200
Excess management expenses	**139**	**77**	**216**	130	95	225
Non-taxable overseas dividends	**(343)**	**–**	**(343)**	(379)	–	(379)
Total tax charge for the year	**180**	**–**	**180**	200	–	200

(c) Provision for deferred taxation. At 31 March 2023 the Company had surplus management expenses and loan relationship debits with a tax value of £4,174,000 (2022 – £3,893,000) based on enacted tax rates, in respect of which a deferred tax asset has not been recognised. No deferred tax asset has been recognised because the Company is not expected to generate taxable income in the future in excess of the deductible expenses of those future periods. Therefore, it is unlikely that the Company will generate future taxable revenue that would enable the existing tax losses to be utilised.

Notes to the Financial Statements
Continued

8. Dividends

	2023 £'000	2022 £'000
Amounts recognised as distributions to equity holders in the year:		
Prior year final dividend (2022 – 9.00p; 2021 – 9.00p)	**1,130**	1,185
Current year interim dividend (2023 – 5.00p; 2022 – 6.00p)	**628**	776
	1,758	1,961

In order to comply with the requirements of Sections 1158-1159 of the Corporation Tax Act 2010 the Company is required to make a dividend distribution.

The proposed second interim dividend has not been included as a liability. It is proposed that the second interim dividend will be paid on 21 July 2023 to shareholders on the register at the close of business on 23 June 2023.

The table below sets out the total dividends proposed in respect of the financial year, which is the basis on which the requirements of Sections 1158 -1159 are considered. The revenue available for distribution by way of dividend for the year is £892,000 (2022 – £1,110,000). It is anticipated that the total dividend for the year of 12.00p (2022 – 15.00p) will be funded 10.10p (2022 – 11.50p) from the revenue reserve and 1.90p (2022 – 3.50p) from the capital reserve.

	2023 £'000	2022 £'000
Current year proposed second interim dividend (2023 – 7.00p; 2022 – final of 9.00p)	**870**	1,130
Current year interim dividend (2023 – 5.00p; 2022 – 6.00p)	**628**	776
	1,498	1,906

The cost of the proposed second interim dividend for 2023 is based on 12,432,024 Ordinary shares in issue, being the number of Ordinary shares in issue excluding treasury shares at the date of this Report.

9. Return per Ordinary share

	2023 p	2023 £'000	2022 p	2022 £'000
Returns per share are based on the following figures:				
Revenue return	**7.11**	**892**	**8.54**	**1,110**
Capital return	**(40.83)**	**(5,119)**	**(90.24)**	**(11,734)**
Total return	**(33.72)**	**(4,227)**	**(81.70)**	**(10,624)**
Weighted average number of Ordinary shares in issue		**12,537,027**		**13,002,993**

10. Investments held at fair value through profit or loss

	2023 £'000	2022 £'000
Opening book cost	**90,973**	97,537
Opening investment holding net gains	**8,603**	20,174
Opening fair value	**99,576**	117,711
Analysis of transactions made during the year		
Purchases at cost (excluding transaction costs)	**44,816**	25,951
Sales - proceeds (net of transaction costs)	**(46,568)**	(32,355)
Net losses on investments	**(5,002)**	(11,731)
Closing fair value	**92,822**	99,576

	2023 £'000	2022 £'000
Closing book cost	**88,027**	90,973
Closing investment holding net gains	**4,795**	8,603
Closing fair value	**92,822**	99,576

The Company received £46,568,000 (2022 - £32,355,000) from investments sold in the period. The book cost of these investments when they were purchased was £47,763,000 (2022 - £32,516,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

As at 31 March 2023, all investments held are in quoted stocks (2022 - same).

Transaction costs. During the year expenses were incurred in acquiring or disposing of investments designated as fair value through profit or loss. Expenses incurred in acquiring investments have been expensed through capital and are included within administration expenses in the Statement of Comprehensive Income, whilst expenses incurred in disposing of investments have been expensed through capital and are included within losses on investments in the Statement of Comprehensive Income. The total costs were as follows:

	2023 £'000	2022 £'000
Purchases	**10**	6
Sales	**10**	7
	20	13

The above transaction costs are calculated in line with the AIC SORP. The transaction costs in the Company's Key Information Document are calculated on a different basis and in line with the PRIIPs regulations.

Notes to the Financial Statements
Continued

11. Debtors: amounts falling due within one year

	2023 £'000	2022 £'000
Amounts due from brokers	**86**	347
Prepayments and accrued income	**681**	807
	767	1,154

All financial assets are included at amortised cost.

12. Creditors

		2023 £'000	2022 £'000
(a)	**Foreign currency bank loans**		
	Falling due within one year	**10,319**	10,634

The Company entered into a one year fixed term loan facility with ING Bank on 20 January 2023. At the year end, JPY 1,300,000,000 (2022 – JPY 1,300,000,000) equivalent to £7,888,000 (2022 – £8,131,000) had been drawn down at an all-in interest rate of 1.258% (2022 – 0.90%) which is due to mature on 20 January 2024.

In addition, on 21 December 2021, the Company entered into a three year JPY 1,000,000,000 revolving credit facility with ING Bank which expires on 21 December 2024. At the year end JPY 400,000,000 (2022 – JPY 400,000,000), equivalent to £2,431,000 (2022 – £2,503,000), had been drawn down at an all-in interest rate of 1.50% (2022 – 1.50%). At the date of this Report, the Company had drawn down JPY 400,000,000 at an all-in interest rate of 1.50%.

The terms of both loan facilities with ING Bank contain a covenant that total borrowings should not exceed 35% of the adjusted net asset value of the Company at any time and that the net asset value should not fall below £40,000,000 at any time. The Company has met these covenants throughout the period.

		2023 £'000	2022 £'000
(b)	**Other creditors falling due within one year**		
	Amounts due to brokers	**262**	190
	Sundry creditors	**337**	240
		599	430

13. Called-up share capital

	2023		2022	
	Number	£'000	Number	£'000
Allotted, called-up and fully paid				
Ordinary shares of 10p each	**12,432,024**	**1,243**	12,605,268	1,261
Held in treasury	**3,389,548**	**339**	3,216,304	321
	15,821,572	**1,582**	15,821,572	1,582

	Ordinary shares Number	Treasury shares Number	Total Number
Opening balance	12,605,268	3,216,304	15,821,572
Ordinary shares bought back for holding in treasury	(173,244)	173,244	–
Closing balance	**12,432,024**	**3,389,548**	**15,821,572**

During the year 173,244 Ordinary shares (2022 – 697,191) were bought back and held in treasury at a cost of £991,000 (2022 – £4,923,000). Subsequent to the year end no further Ordinary shares were bought back for holding in treasury.

14. Capital reserve

	2023 £'000	2022 £'000
At 1 April 2022	**77,788**	95,169
Losses over cost arising on movement in investment holdings	**(3,807)**	(11,571)
Losses on realisation of investments at fair value	**(1,195)**	(160)
Currency gains	**297**	501
Administrative expenses charged to capital	**(10)**	(6)
Management fee charged to capital	**(320)**	(413)
Buyback of Ordinary shares for holding in treasury	**(991)**	(4,923)
Finance costs charged to capital	**(84)**	(85)
Final dividend 2022 – 3.50p paid from capital (2021 – 5.50p)	**(691)**	(724)
At 31 March 2023	**70,987**	77,788

The capital reserve includes investment holding gains amounting to £4,795,000 (2022 – gains of £8,603,000) as disclosed in note 10.

Net currency gains arising during the year of £296,000 (2022 – gains of £501,000) are analysed further in the table below.

	2023 £'000	2022 £'000
Gains on revaluation of bank loan	**308**	513
Losses on cash deposits	**(11)**	(12)
	297	501

15. Net asset value per share

The net asset value per share and the net asset values attributable to Ordinary shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	Net asset value per share		Net asset values attributable	
	2023 **p**	**2022** **p**	**2023** **£'000**	**2022** **£'000**
Ordinary shares	**667.26**	713.43	**82,954**	89,930

The movements during the year of the assets attributable to the Ordinary shares were as follows:

	2023 £'000	2022 £'000
Net assets attributable at 1 April 2022	**89,930**	107,438
Capital return for the year	**(5,119)**	(11,734)
Revenue after taxation	**892**	1,110
Dividend paid from revenue	**(1,067)**	(1,237)
Dividend paid from capital	**(691)**	(724)
Purchase of Ordinary shares to be held in treasury	**(991)**	(4,923)
Net assets attributable at 31 March 2023	**82,954**	89,930

The net asset value per Ordinary share is based on net assets, and on 12,432,024 (2022 – 12,605,268) Ordinary shares, being the number of Ordinary shares in issue, after deducting 3,389,548 (2022 – 3,216,304) shares held in treasury, at the year end.

16. Financial instruments

Risk management. The Company's investment activities expose it to various types of financial risk associated with the financial instruments and markets in which it invests. The Company's financial instruments comprise securities and other investments, cash balances, loans, debtors and creditors that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and debtors for accrued income.

Certain risk management functions have been delegated to abrdn Fund Managers Limited ("aFML" or "Manager") under the terms of the management agreement (further details of which are included under notes 4 and 5). The Board regularly reviews and agrees policies for managing each type of risk, as summarised below. This approach has been applied throughout the year within the Manager's risk management framework which is described below and has not changed since the previous accounting period.

Risk management framework. The directors of aFML collectively assume responsibility for aFML's obligations under the AIFMD including reviewing investment performance and monitoring the Company's risk profile during the year.

aFML is a fully integrated member of the abrdn plc group ("the Group"), which provides a variety of services and support to aFML in the conduct of its business activities, including in the oversight of the risk management framework for the Company. The AIFM has delegated the day to day administration of the investment policy to abrdn Japan Limited, which is responsible for ensuring that the Company is managed within the terms of its investment guidelines and the limits set out in its pre-investment disclosures to investors (details of which can be found on the Company's website). The AIFM has retained responsibility for monitoring and oversight of investment performance, product risk and regulatory and operational risk for the Company.

The Manager conducts its risk oversight function through the operation of the Group's risk management processes and systems which are embedded within the Group's operations. The Group's Risk Division supports management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Compliance, Business Risk, Market Risk and Risk Management. The team is headed up by the Group's Chief Risk Officer, who reports to the CEO of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group's operational risk management system ("SHIELD").

The Group's Internal Audit Department is independent of the Risk Division and reports directly to the Audit Committee of the Group's Board of Directors and to the Group's CEO. The Internal Audit Department is responsible for providing an independent assessment of the Group's control environment.

The Group's corporate governance structure is supported by several committees to assist the Board of Directors of the Group, its subsidiaries and the Company to fulfil their roles and responsibilities. The Group's Risk Division is represented on all committees, with the exception of those committees that deal with investment recommendations. The specific goals and guidelines on the functioning of those committees are described on the committees' terms of reference.

Risk management. The main risks the Company faces from its financial instruments are (i) market risk (comprising interest rate risk, price risk and currency risk), (ii) liquidity risk and (iii) credit risk.

Market risk. The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market price risk comprises three elements – interest rate risk, price risk and currency risk.

Interest rate risk. Interest rate movements may affect:

– the level of income receivable on cash deposits; and

– interest payable on the Company's variable rate borrowings.

Notes to the Financial Statements
Continued

Management of the risk. The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

Interest rate sensitivity. Movements in interest rates would not significantly affect net assets attributable to the Company's shareholders and total profit due to there being no investments in fixed interest securities during the year and a relatively low level of bank borrowings.

Price risk. Price risks (ie changes in market prices other than those arising from interest rate or currency risk) may affect the value of quoted investments.

Management of the risk. It is the Board's investment policy for the Company's assets to be invested in a selected portfolio of securities in quoted companies as explained on page 14. The Manager has a dedicated investment management process, which ensures that the risk inherent in this investment policy is controlled. Underlying the process is the belief that risk is not that individual stock prices fluctuate in the short term, or that movement in the value of the portfolio deviates from the benchmark but that risk is investment in poorly managed expensive companies which the Manager does not understand. In-depth research and stock selection procedures are in place based on this risk control philosophy. The portfolio is reviewed on a periodic basis by the Manager's Investment Committee and by the Board.

Price sensitivity. If market prices at the Statement of Financial Position date had been 10% higher or lower while all other variables remained constant, the return attributable to Ordinary shareholders for the year ended 31 March 2023 would have increased/(decreased) by £9,282,000 (2022 increased/(decreased) by £9,958,000) and equity reserves would have increased/(decreased) by the same amount.

Foreign currency risk. The Company primarily invests in the shares of companies which are listed in Japan but can include companies listed on other stock markets which earn significant revenue from trading in Japan or hold net assets predominantly in Japan. The Statement of Financial Position, therefore, can be significantly affected by movements in foreign exchange rates.

Management of the risk. The Company may, from time to time, match specific overseas investment with foreign currency borrowings. The Company's borrowings, as detailed in note 12, are also in foreign currency.

The revenue account is subject to currency fluctuation arising on dividends paid in foreign currencies. The Company does not hedge this currency risk.

Foreign currency risk exposure by currency of denomination:

	31 March 2023			31 March 2022		
	Overseas investments £'000	**Net monetary liabilities £'000**	**Total currency exposure £'000**	**Overseas investments £'000**	**Net monetary liabilities £'000**	**Total currency exposure £'000**
Japanese Yen	**92,822**	**(9,615)**	**83,207**	99,576	(9,413)	90,163

Foreign currency sensitivity. The following table details the positive impact to a 10% decrease in Sterling against the foreign currency in which the Company has exposure (based on exposure >5% of total exposure including foreign exchange contracts). The sensitivity analysis includes foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. In the event of a 10% increase in Sterling then there would be a negative impact on the Company's returns.

	2023	2023	2022	2022
	Revenue £'000	Equity[A] £'000	Revenue £'000	Equity[A] £'000
Japanese Yen	**180**	**8,321**	200	9,016

[A] Represents equity exposure to relevant currencies.

Liquidity risk. This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk. Liquidity risk is not considered to be significant as the Company's assets mainly comprise readily realisable securities which can be sold to meet funding requirements if necessary and flexibility is achieved through the use of loan facilities, details of which may be found in note 12.

Liquidity risk exposure. At 31 March 2023, the Company had a fixed term bank loan of £7,888,000 (2022 – £8,131,000) which is due to mature on 20 January 2024, with interest due on the principal every six months. The Company had also drawn down £2,431,000 (2022 – £2,503,000) which matured on 13 April 2023 with interest payable at each set maturity date, from its revolving credit facility (see note 12 for further details).

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

Management of the risk. Investment transactions are carried out with a large number of brokers of good quality credit standing, and cash is held only with reputable banks with high quality external credit enhancements.

In addition, both stock and cash reconciliations to the Depositary's records are performed on a daily basis to ensure discrepancies are investigated on a timely basis.

None of the Company's financial assets are secured by collateral or other credit enhancements and none are past due or impaired.

Credit risk exposure. The amount of cash at bank and in hand of £283,000 (2022 - £264,000) and debtors of £767,000 (2022 - £1,154,000) in the Statement of Financial Position represent the maximum exposure to credit risk at 31 March.

Fair values of financial assets and financial liabilities. The fair value of borrowings has been calculated at £10,319,000 as at 31 March 2023 (2022 - £10,634,000) compared to an accounts value in the financial statements of £10,319,000 (2022 - £10,634,000) (note 12), due to the short-term maturity. The fair value of each loan is determined by aggregating the expected future cash flows for that loan discounted at a rate comprising the borrower's margin plus an average of market rates applicable to loans of a similar period of time and currency. The carrying value of all other assets and liabilities is an approximation of fair value.

Notes to the Financial Statements

Continued

17. Analysis of changes in net debt

	At 31 March 2022 £'000	Currency differences £'000	Cash flows £'000	Non-cash movements £'000	At 31 March 2023 £'000
Cash and cash equivalents	**264**	**(11)**	**30**	**–**	**283**
Debt due within one year	**(10,634)**	**308**	**–**	**7**	**(10,319)**
	(10,370)	**297**	**30**	**7**	**(10,036)**

	At 31 March 2021 £'000	Currency differences £'000	Cash flows £'000	Non-cash movements £'000	At 31 March 2022 £'000
Cash and cash equivalents	528	(12)	(252)	–	264
Debt due within one year	(11,147)	513	–	–	(10,634)
	(10,619)	501	(252)	–	(10,370)

A statement reconciling the movement in net funds to the net cash flow has not been presented as there are no differences from the above analysis.

18. Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and

- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and debt. The Company's investment policy states that the maximum gearing level is 25% of net assets, however gearing will normally be set at a stable and lower level than the maximum. The Board has currently established a gearing level of around 12% of net assets although, with stock market fluctuations, this may range between 5% and 15%.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Manager's views on the market and the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period and year end positions are presented in the Statement of Financial Position.

19. Fair value hierarchy

FRS 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following classifications:

Level 1 - unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3 - inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

All of the Company's investments are in quoted equities actively traded on a recognised stock exchange, with their fair value being determined by reference to their quoted bid prices at the reporting date (2022 - same). The total value of the investments (2023 - £92,822,000; 2022 - £99,576,000) have therefore been deemed as Level 1.

20. Related party transactions and transactions with the Manager

Directors' fees and interests. Fees payable during the year to the Directors and their interest in shares of the Company are disclosed within the Directors' Remuneration Report on page 55.

Transactions with the Manager. The Company has agreements with aFML to provide management, accounting, administrative and secretarial duties. Details of the transactions and balances outstanding at the year end are disclosed in notes 4 and 5.

Alternative Performance Measures (Unaudited)

Alternative performance measures are numerical measures of the Company's current, historical or future performance, financial position or cash flows, other than financial measures defined or specified in the applicable financial framework. The Company's applicable financial framework includes FRS 102 and the AIC SORP. The Directors assess the Company's performance against a range of criteria which are viewed as particularly relevant for closed-end investment companies.

Discount to net asset value per Ordinary share

The discount is the amount by which the share price is lower than the net asset value per share, expressed as a percentage of the net asset value.

		2023	2022
NAV per Ordinary share (p)	a	**667.26**	713.43
Share price (p)	b	**557.50**	635.00
Discount	(a-b)/a	**16.4%**	11.0%

Net gearing

Net gearing measures the total borrowings less cash and cash equivalents divided by shareholders' funds, expressed as a percentage. Under AIC reporting guidance cash and cash equivalents includes net amounts due from and to brokers at the year end as well as cash and short term deposits.

		2023	2022
Borrowings (£'000)	a	**10,319**	10,634
Cash (£'000)	b	**283**	264
Amounts due to brokers (£'000)	c	**262**	190
Amounts due from brokers (£'000)	d	**86**	347
shareholders' funds (£'000)	e	**82,954**	89,930
Net gearing	(a-b+c-d)/e	**12.3%**	11.4%

Ongoing charges ratio

The ongoing charges ratio has been calculated in accordance with guidance issued by the AIC as the total of investment management fees and administrative expenses and expressed as a percentage of the average net asset values with debt at fair value throughout the year.

	2023	2022
Investment management fees (£'000)	**533**	689
Administrative expenses (£'000)	**471**	359
Less: non recurring charges[A] (£'000)	**(17)**	(2)
Less: transaction costs on investment purchases (£'000)	**(10)**	(6)
Ongoing charges (£'000)	**977**	1,040
Average net assets (£'000)	**83,353**	103,730
Ongoing charges ratio	**1.17%**	1.00%

[A] Comprises legal and professional fees and an exit fee due to a change in Registrars which are not expected to recur.

At 31 March 2023 the Company's OCR was 1.17% as above compared to the Peer Group weighted average OCR of 0.77% (based on average net assets at 31 March 2023 of £399.4 million, source AIC). The ongoing charges ratio provided in the Company's Key Information Document is calculated in line with the PRIIPs regulations which includes amongst other things, the cost of borrowings and transaction costs.

Alternative Performance Measures (Unaudited)

Continued

Total return

NAV and share price total returns show how the NAV and share price has performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. Share price and NAV total returns are monitored against open-ended and closed-ended competitors, and the Reference Index, respectively.

Year ended 31 March 2023		NAV	Share Price
Opening at 31 March 2022	a	**713.4p**	**635.0p**
Closing at 31 March 2023	b	**667.3p**	**557.5p**
Price movements	c=(b/a)-1	**-6.5%**	**-12.2%**
Dividend reinvestment[A]	d	**2.1%**	**2.2%**
Total return	c+d	**-4.4%**	**-10.0%**

Year ended 31 March 2022		NAV	Share Price
Opening at 31 March 2021	a	**807.7p**	727.5p
Closing at 31 March 2022	b	**713.4p**	635.0p
Price movements	c=(b/a)-1	**-11.7%**	-12.7%
Dividend reinvestment[A]	d	**1.7%**	1.8%
Total return	c+d	**-10.0%**	-10.9%

[A] NAV and share price total returns show how the NAV and share price has performed over a period of time in percentage terms, taking into account both capital returns and dividends paid to shareholders. NAV total return involves investing the net dividend in the NAV of the Company with debt at fair value on the ex-dividend date. Share price total return involves reinvesting the net dividend in the share price of the Company on the ex-dividend date.

Information about the Investment Manager (Unaudited)

abrdn Fund Managers Limited

abrdn Fund Managers Limited ("aFML"), authorised and regulated by the Financial Conduct Authority, has been appointed as the alternative investment fund manager to the Company. aFML has in turn delegated portfolio management to abrdn Japan Limited, which is based in Tokyo.

Both aFML and abrdn Japan Limited are subsidiaries of abrdn plc.

abrdn Japan Limited is primarily responsible for the Japan equity portfolios managed within abrdn and is supported by the Group's Asian equities team in Singapore.

The Investment Team Senior Managers

Chern-Yeh Kwok

Deputy Head of Equities, Asia Pacific & Head of Investment Management, Japan

BA in Journalism from the University of Missouri-Columbia and MSc in Finance from the London Business School. Joined abrdn Asia in 2005 from MSCI Barra where he was an equity research analyst. Became Head of Japanese equities in January 2011 and is based in Singapore.

Flavia Cheong

Head of Equities, Asia Pacific

Masters in Economics from University of Auckland. Previously with Investment Company of the People's Republic of China and Development Bank of Singapore. Started investment career in 1987. Joined abrdn Asia in 1996 and is based in Singapore.

Hisashi Arakawa

Investment Manager (Japan Equities)

MPhys in Physics from the University of Oxford and MBA from INSEAD and is a CFA® charterholder. Previously was vice president in the corporate banking group of Development Bank of Japan. Joined abrdn Asia in 2016 and is based in Tokyo.

Information about the Investment Manager (Unaudited)

Continued

The Investment Process

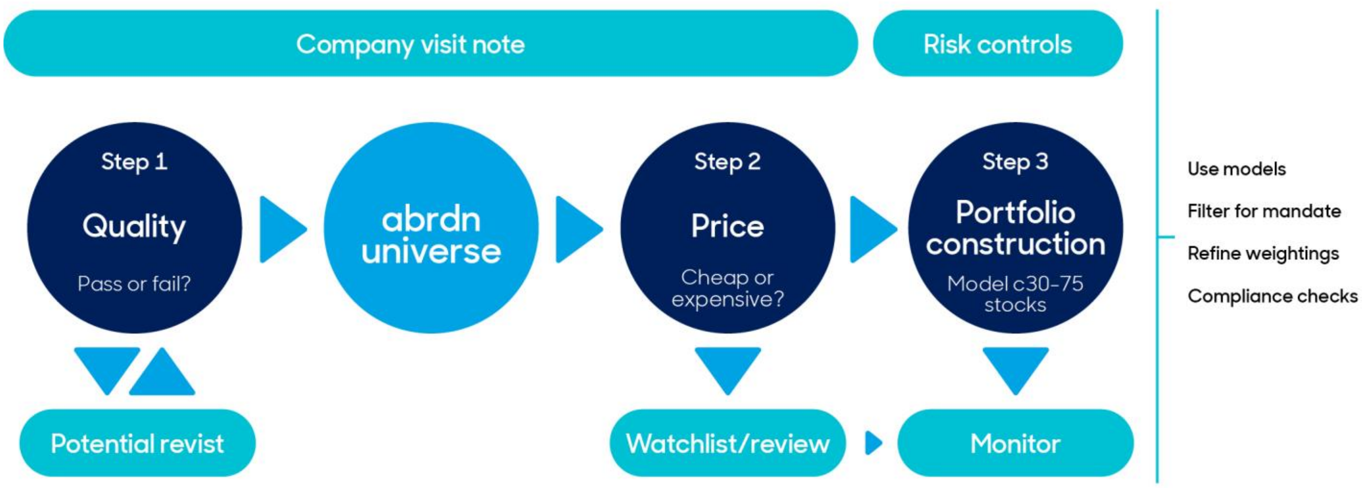
Philosophy and Style

The Manager's investment philosophy is that markets are not always efficient. The Manager believes that superior investment returns are therefore attainable by identifying good companies cheaply, defined in terms of the fundamentals that in our opinion drive share prices over the long term. The Manager undertakes substantial due diligence before initiating any investment including company visits in order to assure themselves of the quality of the prospective investment. The Manager is then careful not to pay too high a price when making the investment. Subsequent to that investment the Manager then keeps in close touch with the company, aiming to meet management at least twice a year. Given their long-term fundamental investment philosophy, one would not expect much change in the companies in which we invest. The Manager does, however, take opportunities offered to them by what they see as anomalous price movements within stock markets to either top up or top slice positions, which accounts for the bulk of the activity within the portfolio.

Risk Controls

The Manager seeks to minimise risk by in depth research. The Manager does not view divergence from a benchmark as risk – they view investment in poorly run expensive companies that they do not understand as risk. In fact where risk parameters are expressed in benchmark relative terms, asset – including sector – allocation constitutes a significant constraint on stock selection. Hence diversification of stocks provides their main control.

The Manager's performance and investment risk unit independently monitors portfolio positions, and reports monthly. As well as attributing performance it also produces statistical analysis, which is used by the Investment Manager primarily to check the portfolio is behaving as expected, not as a predictive tool.



Investment Policy

The Company's holdings will be generally listed in Japan although the portfolio may also include companies traded on stock markets outside Japan whose consolidated revenue is earned predominantly from trading in, or consolidated net assets are predominantly held in, Japan. The investment portfolio of the Company may comprise investments of any market capitalisation or sector. From time to time, fixed interest holdings, or quasi-equity investments such as convertible securities and warrants, may be held although the book value of such investments will never represent in aggregate more than 25% of gross assets.

The portfolio will be constructed through the identification of individual companies which offer long-term growth potential. The portfolio will be actively managed and not seek to track the Company's reference benchmark, hence a degree of volatility against the benchmark is inevitable.

In constructing the equity portfolio a spread of risk will be achieved by diversifying the portfolio through investment in 30 to 70 holdings. Sector concentration and thematic characteristics of the portfolio will be carefully monitored. There will be no maximum limits to deviation from the Company's reference benchmark, stock or sector weights except as imposed by banking covenants on any borrowings.

On acquisition, no holding shall exceed 10% of the Company's portfolio at the time of purchase although market movements may increase this percentage. Also, on acquisition, no more than 15% of the Company's gross assets will be invested in other UK listed investment companies, being companies holding the majority of their net assets in Japan.

The Board is responsible for determining the gearing strategy for the Company. Gearing may be used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent it is considered appropriate to do so. Gearing will be subject to a maximum gearing level of 25% of net assets at the time of draw down. Any borrowing, except for short-term liquidity purposes, will be used for investment purposes or buying back shares.

The Company may use derivatives for the purpose of efficient portfolio management and hedging (i.e. for the purpose of reducing, transferring or eliminating investment risk in its investments, including protection against currency risks). The Company may purchase and sell derivative investments such as exchange-listed and over-the-counter put and call options on currencies, securities, fixed income, currency and interest rate indices and other financial instruments, purchase and sell financial futures contracts and options thereon and enter into various interest rate and currency transactions such as swaps, caps, floors or collars or credit transactions and credit derivative instruments. The Company may also purchase derivative instruments that combine features of these instruments. The Company's aggregate exposure to derivative instruments will not exceed 50% of its gross assets.

The Company will not acquire securities that are unlisted or unquoted at the time of investment (with the exception of securities which are about to be listed or traded on a stock exchange or are convertible into listed securities). However, the Company may continue to hold securities that cease to be listed or quoted if the Investment Manager considers this to be appropriate.

The Company may underwrite or sub-underwrite any issue or offer for sale of investments. No such commitment will be entered into if the aggregate of such investments would exceed 10% of the Company's gross assets and no such individual investment would exceed 5% of the Company's gross assets.

Any minimum and maximum percentage limits set out in the Investment Policy will only be applied at the time of the relevant acquisition, trade or borrowing.

The Company will normally be substantially fully invested in accordance with its investment policy but, during periods in which changes in economic conditions or other factors (such as political and diplomatic events, natural disasters and changes in laws) so warrant, the Company may reduce its exposure to securities and increase its position in cash and money market instruments.'

The Company will invest and manage its assets, including its exposure to derivatives, with the objective of spreading risk, in accordance with the Company's investment policy.

Manager's Approach to ESG Integration in Equities (Unaudited)

Introduction from the Board of the Company

Whilst Environmental, Social and Governance ("ESG") factors alone are not the over-riding criteria in relation to the investment decisions taken by the Manager for the Company, ESG is fully integrated across the Manager's investment process. The Company is not an ESG fund but the Board oversees the Manager's approach to ESG integration and is working with the Manager to understand both developments in the UK, as they apply to the Company, and developments in Japan, as they apply to the companies in which the Company invests. This section of the report provides an overview of the way that ESG factors are considered by the Manager. Please note that these processes are reviewed regularly and are liable to change. The latest information, including the Manager's focus on climate change, is available at **abrdn.com/europe/sustainable-investing.**

abrdn's core beliefs: why ESG is essential

Considering and integrating ESG factors can offer informational, analytical and/or behavioural advantages. At abrdn, ESG factors are a component of how we think about and assess 'quality'. They also help us to identify and determine sustainable competitive advantages.

Informational advantage	ESG factors can be financially material – the level of consideration they are given in a company will ultimately have an impact on corporate performance, either positively or negatively. Those companies that take their ESG responsibilities seriously tend to outperform those that do not.
Analytical advantage	Systematically assessing a company's material ESG risks and opportunities alongside other financial metrics allows the Manager to make better informed investment decisions.
Behavioural advantage	Informed and constructive engagement helps foster better companies, protecting and enhancing the value of the Company's investments.

"Material issues are those that are likely to affect the financial condition or operating performance of a company, and therefore are most important to an investor." Sustainability Accounting Standards Board (SASB)

How we do it – a focus on material ESG factors

Our analysts determine which ESG factors are financially material to form a forward-looking view of how the business will manage risks and capture opportunities. We focus on what we deem to be the most material ESG factors to understand their impact on a company's future business performance, financial position, and/or market perception.

When identifying material ESG factors, we pay close attention to how they affect a business today (operations, earnings, and current valuation) and in the future (reputation and longer-term valuation).

Integrating ESG factors into research

We want to fully understand the equities in which we invest. This takes extensive, first-hand research of each company in our research universe. We rank stocks using systematic and globally applied ratings. This helps us compare companies, both regionally and against their peer group. Key questions we ask are.

What is our view on the quality of corporate governance, oversight and management?	What are the most material ESG and operational governance factors the company must manage and how are they being addressed?	How will the most material ESG risks and opportunities affect the company's operational performance and valuation?	What is our ESG quality rating and how does it factor into the investment conclusion? Does our view differ from external sources?

Keeping score: from laggards to best in class

As part of our research process, we rate a company's management of material ESG factors and the relevance to the investment case. This is a key part of our overall research process.

There are five components of Quality assessed by abrdn's Analysts for all companies in the portfolio, which are assessed to develop an Analyst rating for the company. These are:

Analyst ESG rating

1 Best in class	2 Above average	3 Average	4 Below average	5 Laggard
Key Considerations	**Key Considerations**	**Key Considerations**	**Key Considerations**	**Key Considerations**
Exceptional ESG risk management. Business is taking advantage of ESG opportunities and enhancing its competitive advantage. Strong oversight and governance with robust control mechanisms.	Strong ESG risk management and/ or are utilising ESG factors to improve competitive advantage. But execution not as progressed as best in class peers. Strong oversight and governance with robust control mechanisms.	Business has identified material ESG factors. There may be instances of policy or processes failure in recent history but these have been addressed. Opportunities to enhance competitive advantage identified, but still nascent. Governance and oversight more limited or lacks strong check and challenge.	Material ESG risks are under managed and opportunities under-developed. Lack of robust processes in place and there is serious potential for something to go wrong and severely impact the investment case.	Business has likely had significant issues arise due to lack of processes and oversight. Failure to properly manage most material ESG factors and no evidence of effort to address. Significant risk to the investment case from poor management of ESG risks and failure to capture revenue opportunities.

Manager's Approach to ESG Integration in Equities

Continued

Working with companies: Integrating ESG factors into our engagement process

ESG integration doesn't end with the investment research; engagement is a central part of our investment process. We actively engage with the companies in which we invest to understand more about a company's strategy and performance and to encourage best practice and drive change. We combine information and insights from these meetings with the insights of our investment managers, ESG equity analysts and central ESG resources. As part of our engagement, companies are encouraged to set clear targets or key performance indicators on all material ESG risks to enable performance monitoring.

Engagement consists of four interconnected and equally important stages.

Monitor	Contact	Engage	Act
Ongoing due diligence · Business performance · Company financials · Corporate governance · Company's key risks and opportunities	**Frequent dialogue** · Senior executives · Board members · Heads of departments and specialists · Site visits	**Exercise rights** · Attend AGM/EGMs · Always vote · Explain voting decisions · Maximise influence to drive positive outcomes	**Consider all options** · Increase or decrease our shareholding · Collaborate with other investors · Take legal action if necessary

Integrating ESG into investment decisions:

ESG factors are a core component of how we view the quality of a business, and they influence our research discussions.

Portfolio meetings are where we review the outcomes of team-based sector reviews and discuss specific companies that meet the fund's mandate. Peer review provides oversight for all our investment analysis and ESG factors are no different. We have robust debates and challenge each other on our ESG analysis and its relevance to investment cases and decisions. We then construct a portfolio of Quality companies, having considered ESG factors and their impact on our different Quality outcomes.

Investor Information

Direct

Investors can buy and sell shares in abrdn Japan Investment Trust plc (the "Company") directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Many have online facilities. Alternatively, for retail clients, shares may be bought directly through abrdn Investment Trust Share Plan, Individual Savings Account ("ISA") or Investment Plan for Children.

abrdn Investment Trust Share Plan

abrdn operates an Investment Trust Share Plan (the "Plan") through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing abrdn in writing at any time.

abrdn Investment Trust ISA

abrdn operates an Investment Trust ISA ("ISA") through which an investment made be made of up to £20,000 in the tax year 2023/24.

There are no brokerage or initial charges for the ISA, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Investors only pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £15 + VAT. The annual ISA administration charge is £24 + VAT calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA Transfer

You can choose to transfer previous tax year investments to us which can be invested in abrdn Japan Investment Trust plc while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per investment trust of £250.

abrdn Investment Plan for Children

abrdn operates an Investment Plan for Children (the "Children's Plan") which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to eligibility criteria as stated within terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay Government Stamp Duty (currently 0.5%) on purchases. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing abrdn in writing at any time.

Nominee Accounts and Voting Rights

In common with other schemes of this type, all investments in abrdn Investment Trust Share Plan, Investment Plan for Children and Investment Trust ISA are held in nominee accounts and investors have full voting and other rights of share ownership.

Dividend Tax Allowance

The annual tax-free personal allowance for dividend income, for UK investors, is £1,000 for the 2023/24 tax year. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

Keeping You Informed

The Company's share price appears under the heading 'Investment Companies' in the Financial Times and information on the Company may be found on its dedicated website, **abrdnjapan.co.uk.**

This provides access to information on the Company's share price performance, capital structure, London Stock Exchange announcements, current and historic Annual and Half Yearly Reports, and the latest monthly factsheet on the Company issued by the Manager.

Investor Information

Continued

If investors would like details on the Company or literature and application forms on abrdn investment trust products please contact:

abrdn Investment Trusts
PO Box 11020
Chelmsford
Essex, CM99 2DB

Telephone: **0808 500 00 40**
E-mail**: inv.trusts@abrdn.com**
Website: **invtrusts.co.uk**

Terms and conditions for the abrdn investment trust products can be found under the Literature section of this website.

Registrar (for direct shareholdings)

If you have an administrative query which relates to a direct shareholding, please contact the Company's Registrar, as follows:

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol, BS99 6ZZ

Telephone: **0370 889 4084***
(Lines are open 9.00 am – 5.30 pm Mon–Fri.)

Telephone International: **+44 208 639 3399**
Website: **www-uk.computershare.com/investor**
E-mail is available via the above website.

*Lines are open Monday to Friday from 8.30am – 5.30pm, excluding bank holidays. Charges for calling telephone numbers starting with '03' are determined by the caller's service provider. Calls may be recorded and monitored randomly for security and training purposes.

Pre-investment Disclosure Document ("PIDD")

The Alternative Investment Fund Managers Directive ("AIFMD") requires abrdn Fund Managers Limited, as the Manager of the Company, to make available to investors certain information prior to making an investment in the Company. The AIFMD is intended to offer increased protection to investors in investment products that do not fall under the existing European Union regime for regulation of investment products known as the UCITS regime.

The Company's PIDD is available for viewing on the Company's website.

Key Information Document ("KID")

Under the PRIIPS Regulation, the Manager is required to prepare a key information document ("KID") in respect of the Company. This KID must be made available to retail investors prior to them making any investment decision and a link to it is available from the Company's website. The information and the procedures for calculating the risks, costs and potential returns contained in the KID are prescribed by the law. Investors should note that the figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

The KID relating to the Company and published by the Manager can be found on the Manager's website at: **invtrusts.co.uk/en/investmenttrusts/literature-library**.

Suitable for Retail/NMPI Status

The Company's shares are intended for investors primarily in the UK (including retail investors), professional-advised private clients and institutional investors who are wanting to benefit from the growth prospects of Japanese companies by investment in a relatively risk-averse investment trust and who understand and are willing to accept the risks of exposure to equities. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs so that the shares issued by abrdn Japan Investment Trust plc can be recommended by a financial adviser to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investments (NMPIs) and intends to continue to do so for the foreseeable future.

The Company's shares are excluded from the FCA's restrictions which apply to NMPIs because they are shares in an investment trust.

Online Dealing providers and platforms

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company, such as self-invested personal pension (SIPP). Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines.

Discretionary Private Client Stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit The Personal Investment Management & Financial Advice Association at: **pimfa.co.uk.**

Financial Advisers

To find an adviser who recommends on investment trusts, visit: **unbiased.co.uk**

Regulation of Stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Tel: **0800 111 6768** or at
fca.org.uk/firms/systems-reporting/register/search
Email: **register@fca.org.uk**

Investor Warning: Be alert to share fraud and boiler room scams

By law, the Company has to make certain details from its share register publicly available. As such, it is possible that some registered shareholders could receive unsolicited mail or phone calls. You could also be targeted by fraudulent 'investment specialists'. Fraud is becoming much more sophisticated and may use branding, or email addresses that appear to come from the Company or the Manager. If you get a social or email message and you're unsure if it is from us, please don't hesitate to contact the Manager or Company Secretary using the contact details on page 106.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams:
fca.org.uk/consumers/scams

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment trusts purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs may be changed by future legislation.

The above information has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by abrdn Fund Managers Limited, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

General

Glossary of Terms

abrdn
abrdn is a brand of the investment businesses of abrdn plc.

aFML or AIFM or Manager
abrdn Fund Managers Limited ("aFML"), formerly named Aberdeen Standard Fund Managers Limited, is a wholly owned subsidiary of abrdn plc and acts as the alternative investment fund manager ("AIFM") for the Company. It is authorised and regulated by the Financial Conduct Authority.

AJL or Investment Manager
abrdn Japan Limited ("AJL") is a subsidiary company of abrdn plc and has been delegated responsibility for the Company's day-to-day investment management. AJL is regulated by the Financial Services Authority in Japan.

Alternative Performance Measures
An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

AIC
The Association of Investment Companies.

AIFMD or the Directive
The Alternative Investment Fund Managers Directive (AIFMD) is European legislation which created a European-wide framework for regulating managers of 'alternative investment funds' ("AIFs"). It is designed to regulate any fund which is not a UCITS fund and which is managed and/or marketed in the EU. The Company has been designated as an AIF.

Asset Cover
The value of a company's net assets available to repay a certain security. Asset cover is usually expressed as a multiple and calculated by dividing the net assets available by the amount required to repay the specific security.

Benchmark Index or Index
The benchmark index is the TOPIX (in Sterling terms). Prior to October 2013 the Company invested in companies across Asia Pacific including Japan. Performance is measured against the Composite Index which is comprised of:

TOPIX (in Sterling terms) from 8 October 2013.

MSCI AC Asia Pacific (including Japan) Index (in Sterling terms) to 7 October 2013.

Closed-End Fund
A collective investment scheme which has a fixed number of shares which are not redeemable from the fund itself. Unlike open-ended funds, new shares/units are not created by managers to meet demand from investors; instead, shares are purchased (or sold) only in the market. Closed-end funds are normally listed on a recognised stock exchange, such as the London Stock Exchange, and shares can be bought and sold on that exchange.

Discount
The amount by which the market price per share of an investment trust is lower than the net asset value per share. The discount is normally expressed as a percentage of the net asset value per share.

Dividend Cover
Earnings per share divided by dividends per share expressed as a ratio.

Dividend Yield
The annual dividend expressed as a percentage of the share price.

FCA
Financial Conduct Authority

Investment Trust
A type of Closed-End Fund which invests in other securities, allowing shareholders to share the risks, and returns, of collective investment.

Key Information Document or KID
The Packaged Retail and Insurance-based Investment Products ("PRIIPS") Regulation requires the Manager, as the Company's PRIIP 'manufacturer', to prepare a Key Information Document ("KID") in respect of the Company. This KID must be made available by the Manager to retail investors prior to them making any investment decision and is available via the Company's website. The Company is not responsible for the information contained in the KID and investors should note that the procedures for calculating the risks, costs and potential returns are prescribed by law. The figures in the KID may not reflect the expected returns for the Company and anticipated performance returns cannot be guaranteed.

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

Net Asset Value ("NAV")
The value of total assets less liabilities. Liabilities for this purpose included current and long-term liabilities. The net asset value divided by the number of shares in issue produces the net asset value per share.

Net Gearing/Cash
Net gearing/cash is calculated by dividing total borrowings less cash or cash equivalents, by shareholders' funds expressed as a percentage.

Ongoing Charges or OCR
Ratio of expenses as percentage of average daily shareholders' funds calculated as per the AIC's industry standard method.

Peer Group
Peer group is the average of Baillie Gifford Japan, CC Japan Income & Growth, Fidelity Japan, JP Morgan Japanese and Schroder Japan Growth.

Pre-Investment Disclosure Document ("PIDD")
The AIFM and the Company are required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures that are required to be made pre-investment are included within a PIDD, a copy of which can be found on the Company's website.

Premium
The amount by which the market price per share of an investment trust exceeds the net asset value per share. The premium is normally expressed as a percentage of the net asset value per share.

Price/Earnings (P/E) Ratio
The ratio is calculated by dividing the middle-market price per share by the earnings per share. The calculation assumes no change in earnings but in practice the multiple reflects the stock market's view of a company's prospects and profit growth potential.

Prior Charges
The name given to all borrowings including debentures, loan and short term loans and overdrafts that are to be used for investment purposes, reciprocal foreign currency loans, currency facilities to the extent that they are drawn down, index-linked securities, and all types of preference or preferred capital and the income shares of split capital trusts, irrespective of the time until repayment.

PRIIPs
Packaged Retail and Insurance-based Investment Products Regulations which applies to a broad range of structures and products including investment trusts. The regulations require the product 'manufacturer' to prepare a key information document ("KID") in respect of the investment trust.

Proposal
As announced on 18 May 2023, the Board has agreed the terms for a combination of the assets of the Company with the assets of Nippon Asset Value Fund plc. The combination, if approved by each company's shareholders at the requisite general meetings, will be implemented through a scheme of reconstruction pursuant to section 110 of the Insolvency Act 1986.

abrdn plc or the Group
The abrdn plc group of companies.

Total Assets
Total Assets as per the balance sheet less current liabilities (before deducting prior charges as defined above).

Total Return
Total Return involves reinvesting the net dividend in the month that the share price goes ex-dividend. The NAV Total Return involves investing the same net dividend in the NAV of the Company on the date to which that dividend was earned.

AIFMD Disclosures (Unaudited)

Pre-investment Disclosure Document (PIDD)

The AIFMD is intended to offer increased protection to investors in investment products that do not fall under the existing European Union regime for regulation of investment products known as "UCITS".

The Manager and the Company are required to make certain disclosures available to investors in accordance with the AIFMD. Those disclosures that are required to be made pre-investment are included within a PIDD, the latest version of which can be found on the Company's website abrdnjapan.co.uk. There have been no material changes to the disclosures contained within the PIDD since its most recent update in July 2022.

The periodic disclosures as required under the AIFMD to investors are made below:

- Information on the investment strategy and sector investment focus and principal stock exposures are included in the Strategic Report.
- None of the Company's assets are subject to special arrangements arising from their illiquid nature.
- The Strategic Report, Note 16 to the Financial Statements and the PIDD together set out the risk profile and risk management systems in place. There have been no changes to the risk management systems in place in the period under review and no breaches of any of the risk limits set, with no breach expected. The financial instruments as described in Note 16 are managed within the risk management framework operated by aFML and further details are provided below.
- There are no new arrangements for managing the liquidity of the Company or any material changes to the liquidity management systems and procedures employed by aFML.
- All authorised Alternative Investment Fund Managers are required to comply with the AIFMD Remuneration Code. In accordance with the Remuneration Code, the Company's AIFM remuneration policy is available from the Company Secretaries, abrdn Holdings Limited on request (see contact details on page 106) and the remuneration disclosures in respect of the AIFM's reporting period for the year ended 31 December 2022 are available on the Company's website.

Leverage

The table below sets out the current maximum permitted limit and actual level of leverage for the Company:

	Gross method	Commitment method
Maximum level of leverage	2.50:1	2.00:1
Actual level at 31 March 2023	1.25:1	1.25:1

There have been no breaches of the maximum level during the period and no changes to the maximum level of leverage employed by the Company. There is no right of re-use of collateral or any guarantees granted under the leveraging arrangement. Changes to the information contained either within this annual report or the PIDD in relation to any special arrangements in place, the maximum level of leverage which aFML may employ on behalf of the Company; the right of use of collateral or any guarantee granted under any leveraging arrangement; or any change to the position in relation to any discharge of liability by the Depositary will be notified via a regulatory news service without undue delay in accordance with the AIFMD.

The information on this page has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by abrdn Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Contact Addresses

Directors
Karen Brade, Chairman
Claire Boyle
Sam Dean
Sir David Warren

Email: **abrdnjapan@abrdn.com**

Manager, Secretary and Registered Office
Alternative Investment Fund Manager
abrdn Fund Managers Limited
280 Bishopsgate
London, EC2M 4AG

(Authorised and regulated by the
Financial Conduct Authority)

Investment Manager
abrdn Japan Limited
9th Floor, Otemachi Financial City Grand Cube,
9-2 Otemachi 1 Chome, Chiyoda-ku
Tokyo

Secretary and Registered Office
abrdn Holdings Limited
280 Bishopsgate
London, EC2M 4AG

Email: **CEF.CoSec@abrdn.com**

Registrars
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol, BS99 6ZZ

Telephone: **0370 889 4084***
(Lines are open 9.00 am – 5.30 pm Mon-Fri.)

Telephone International: **+44 208 639 3399**
Website: **www-uk.computershare.com/investor**
E-mail is available via the above website.

*Lines are open Monday to Friday from 8.30am – 5.30pm, excluding bank holidays. Charges for calling telephone numbers starting with '03' are determined by the caller's service provider. Calls may be recorded and monitored randomly for security and training purposes.

Company Website
abrdnjapan.co.uk

Bankers
ING N. V. London Branch
8-10 Moorgate,
London, EC2R 6DA

Depositary
BNP Paribas Trust Corporation UK Limited
10 Harewood Avenue
London, NW1 6AA

Company Broker
Shore Capital Stockbrokers Limited
Cassini House
57 St James' Street,
London, SW1A 1LD

Independent Auditor
Johnston Carmichael LLP
7-11 Melville Street
Edinburgh, EH3 7PE

Legal Entity Identifier ("LEI")
5493007LN438OBLNLM64

Foreign Account Tax Compliance Act ("FATCA") Registration Number (GIIN)
IRS Registration Number (GIIN): QHB2WK.99999.SL.826

Company Registration Number
Registered in England & Wales No. 03582911

For more information visit **abrdnjapan.co.uk**

abrdn.com