



# JPMorgan Japan Small Cap Growth & Income plc

Providing income without compromising  
on Japanese growth opportunities

Annual Report & Financial Statements  
for the year ended 31st March 2024

# Key Features

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## Investment Objective

The objective of JPMorgan Japan Small Cap Growth & Income plc (the 'Company') is to achieve long-term capital growth through investment in small-sized and medium-sized Japanese companies.

## Investment Policy

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

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

## Dividend Policy

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

## Benchmark

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

## Capital Structure

As at 31st March 2024, the Company's issued share capital comprised 55,944,560 Ordinary shares of 10p each, of which 1,600,338 were held in Treasury.

## Currency

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

## Management Company and Company Secretary

The Company has engaged JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager ('AIFM') and Company Secretary. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (Japan) Limited through JPMorgan Asset Management (UK) Limited ('JPMAM' or the 'Investment Manager'). Miyako Urabe and Xuming Tao (the 'Portfolio Managers') manage the Company's portfolio on behalf of the Investment Manager.

## Association of Investment Companies ('AIC')

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

## Website

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

## Contact the Company

General enquiries about the Company should be directed to the Company Secretary at [invtrusts.cosec@jpmorgan.com](mailto:invtrusts.cosec@jpmorgan.com)

## FINANCIAL CALENDAR

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





“After a long period of being unloved and under-owned, we are optimistic about the outlook for Japanese equities, and our portfolio. We believe the global investment community’s perception of the Japanese market is starting to improve, with the key structural supports being the continued progress on corporate governance reforms and signs of an exit from deflation. Moreover, relative valuations for smaller growth companies are looking more attractive.”

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

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

### Providing income without compromising on Japanese growth opportunities

The Company aims to provide access to the innovative and fast-growing smaller company stocks that are at the core of the Japanese economy by using a stock selection process based on extensive experience and local knowledge of the market.

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

### Our heritage and our team

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

The team has been managing Japan equities mandates in Tokyo since 1969 and the Company’s current investment team has an average of 14 years’ experience with the firm and 20 years’ experience in the industry. They are supported by JPMorgan Asset Management’s extensive resources around the world.

### Our investment approach

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

4%

Pays 4% of average NAV  
per annum as dividends

23

Japanese equity  
professionals

c.4,500

Japanese company  
meetings each year

400

Approximate number of  
stocks covered

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## Financial Highlights

Total returns (including dividends reinvested) to 31st March

	2024	2023	3 years Cumulative	5 years Cumulative	10 years Cumulative
Return to shareholders <sup>1,A</sup>	+2.3%	-7.8%	-27.7%	+5.2%	+122.4%
Return on net assets <sup>2,A</sup>	+5.0%	-5.7%	-25.4%	+2.9%	+115.2%
Benchmark return <sup>3</sup>	+12.0%	+5.0%	+8.0%	+22.7%	+126.9%
Annual dividend	14.2p	14.2p			

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

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

<sup>3</sup> Source: Morningstar. The Company's benchmark is the MSCI Japan Small Cap Net Return Index (in sterling terms). Prior to 1st April 2021, the Company's benchmark was the S&P Japan SmallCap Net Return (in Sterling terms). For periods starting before 1st April 2021, a combined return for both the current and previous benchmark is shown.

<sup>A</sup> Alternative Performance Measure.

A glossary of terms and Alternative Performance Measures is provided on pages 96 and 97.



## Financial Highlights

## Summary of results

	2024	2023	% change
<b>Total returns (including dividends reinvested) for the year ended 31st March</b>			
Return to shareholders <sup>1,A</sup>	+2.3%	-7.8%	
Return on net assets <sup>2,A</sup>	+5.0%	-5.7%	
Benchmark return <sup>3</sup>	+12.0%	+5.0%	
<b>Net asset value, share price and discount as at 31st March</b>			
Net asset value per share <sup>A</sup>	362.4p	359.6p	0.8
Share price	317.0p	324.5p	-2.3
Share price discount to net asset value per share <sup>A</sup>	12.5%	9.8%	
Shareholders' funds (£'000)	196,951	196,022	0.5
Shares in issue (excluding shares held in Treasury)	54,344,222	54,510,339	
<b>Revenue for the year ended 31st March</b>			
Gross revenue return (£'000)	4,223	4,739	-10.9
Net revenue return (£'000)	1,202	1,590	-24.4
Revenue per share	2.21p	2.92p	-24.3
<b>Dividend per share</b>	14.2p	14.2p	0.0
<b>Gearing as at 31st March<sup>A</sup></b>	6.1%	5.6%	
<b>Ongoing charges<sup>A</sup></b>	1.20%	1.19%	

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

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

<sup>3</sup> Source: Morningstar. The Company's benchmark is the MSCI Japan Small Cap Index Net Return (in sterling terms).

<sup>A</sup> Alternative Performance Measure.

A glossary of terms and Alternative Performance Measures is provided on pages 96 and 97.

## Chairman's Statement



Alexa Henderson  
Chair

### Investment Performance

During the 12-month period ended 31st March 2024, the Company produced a total return on net assets of +5.0%, while its benchmark, the MSCI Japan Small Cap Net Return Index (in sterling terms), produced a total return of +12.0%, resulting in an underperformance of 7.0%. The MSCI Small Cap Growth Index which better reflects the Company's portfolio rose by 6.6% during the 12-month period ended 31st March 2024.

This is a disappointing result, which is due in part to the Company's investment style which has a bias towards smaller cap, quality, growth names. During the year, the market has favoured larger, lower-quality value-oriented stocks which do not meet the Company's investment criteria, due to their unappealing growth characteristics. However, the Board shares the Portfolio Managers' conviction that good quality companies with strong growth prospects will always perform well over the longer term. Indeed, the Company delivered an annualised return<sup>A</sup> on net assets of +8.0% over the ten years ended 31st March 2024, not far below the benchmark, which returned 8.5% over the period.

The Company's recent portfolio activity is detailed in the Investment Manager's Report on page 11. The Portfolio Managers also outline the reasons for their optimism about Japan's very favourable long-term prospects, and the positive implications this has for the Company's ability to rebuild strong performance.

### Dividend Policy and Discount Management

The Company's dividend policy aims to pay, in the absence of unforeseen circumstances, a regular dividend equal to 1% of the Company's NAV on the last business day of the preceding financial quarter, being the end of March, June, September and December. Over the year, this approximates to 4% of the average NAV, paid from other reserves. For the year ended 31st March 2024, quarterly dividends paid out totalled 14.2p per share (2023: 14.2p). Based on the current share price, the Company offers an attractive dividend yield of 4.5%.

A resolution to approve the Company's dividend policy will be submitted to shareholders at the forthcoming Annual General Meeting ('AGM').

The Company's discount widened over the review period, ending the year at 12.5%, up from the 9.8% discount reported at the same time last year. This widening is broadly in line with the experience of many other investment trusts over this period. The Board closely monitors the discount and recognises that it is in shareholders' interests that the Company's share price does not differ excessively from the underlying NAV under normal market conditions. Given the prolonged period of discount widening and the Board's conviction that the current discount to NAV is unwarranted, during the period under review the Board decided to resume share buybacks for the first time since March 2018. During the year, 166,117 shares were repurchased, amounting to 0.3% of shares in issue, and held in Treasury. A further 175,029 shares have been purchased so far this financial year. At the time of writing, the discount stands at 13.4%.

### Gearing/Borrowing

The Portfolio Managers seek, at times, to enhance investment returns for shareholders by borrowing money to buy more assets ('gearing'), subject to their view on prevailing market conditions. The Company's gearing is discussed regularly by the Board and the Portfolio Managers, and the gearing level is reviewed by the Directors at each Board meeting.

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

Access to this credit facility provides the Portfolio Managers with the ability to gear tactically within the set guidelines. The Company's investment policy permits gearing within a range of 10% net cash to 25% geared. However, the Board requires the Portfolio Managers to operate in the narrower range of 5% net cash to 15% geared, in normal market conditions. During the past 12 months the Company's gearing level ranged between 4.1% and 7.4%, ending the financial year at 6.1% (2023: 5.6%).

<sup>A</sup> Alternative Performance Measure.



## Chairman's Statement

### Revised Management Fee Arrangements

As recently announced, with effect from 1st April 2024, the Company's Manager agreed to reduce its investment management fee. The investment management fee will be charged at the rate of 0.85% (previously 1%) per annum on the net asset value of the Company's portfolio up to £150 million, and at the rate of 0.75% thereafter.

The revised fee agreement balances the need for the Company's ongoing charges ratio to remain competitive, whilst rewarding the Manager for its efforts.

### Investment Manager Personnel Changes

The Board was informed by JPMAM that Naohiro Ozawa, one of the Company's Portfolio Managers, would be stepping down as Portfolio Manager to the Company with effect from 1st April 2024. Miyako Urabe and Xuming Tao will continue to manage the assets of the Company. On behalf of the Board, I would like to express our sincere gratitude to Naohiro for his contribution to the management of the Company's portfolio and wish him well in his future endeavours.

### The Board and Corporate Governance

The Board reviews its composition on a regular basis, giving due account to the need to refresh its membership and maintain diversity, whilst also ensuring the necessary degree of continuity of Board experience. Yuuichiro Nakajima, a member of the Board since April 2014 retired from the Board following the conclusion of the Company's AGM held in July 2023. On behalf of the Board and the shareholders I would like to thank Yuuichiro for his dedication to the Company since his appointment. Deborah Guthrie, who became a Director in 2015, has indicated that she wishes to retire at the conclusion of the Company's AGM in July 2024. The Board has benefited immensely from Deborah's commitment to the role and her specialist knowledge of the Japanese market. She will leave with our gratitude and best wishes for the future. The Board has commenced the search for a new Non-Executive Director.

In accordance with good corporate governance practice, all Directors, with the exception of Deborah Guthrie, will stand for re-election at the forthcoming AGM.

Shareholders who wish to contact the Chair or other members of the Board may do so through the Company Secretary or the Company's website, details of which appear below.

### Task Force on Climate-related Financial Disclosures

As a regulatory requirement for the Company's Manager, on 30th June 2023, JPMAM published its first UK Task Force on Climate-related Financial Disclosures ('TCFD') Report for the Company in respect of the year ended 31st December 2022. The report discloses estimates of the Company's portfolio climate-related risks and opportunities according to the Financial Conduct Authority ('FCA') Environmental, ESG Sourcebook and the TCFD. The report is available on the Company's website under the ESG documents section.

This is the first report under the new guidelines and disclosure requirements. The Board is aware that best practice reporting under TCFDs is still evolving with respect to metrics and input data quality, as well as the interpretation and implications of the outputs produced, and will continue to monitor future developments.

### Stay Informed

The Company delivers email updates on the Company's progress with regular news and views, as well as the latest performance. If you have not already signed up to receive these communications and you wish to do so, you can opt in via <https://tinyurl.com/JSGL-Sign-Up> or by scanning the QR code on this page.



## Chairman's Statement

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### Annual General Meeting

The Company's AGM will be held on Thursday, 25th July 2024 at 12.00 noon at 60 Victoria Embankment, London EC4Y 0JP.

We are delighted to invite shareholders to join us in person for this event, to hear from the Portfolio Managers, who will make a presentation to shareholders via video link from Tokyo. Their presentation will be followed by a live question and answer session. Shareholders wishing to follow the AGM proceedings but who choose not to attend in person will be able to view them live and ask questions (but not vote) through conferencing software. Details on how to register, together with access details, will be available shortly on the Company's website at [www.jpmmjapanismallcapgrowthandincome.co.uk](http://www.jpmmjapanismallcapgrowthandincome.co.uk) or by contacting the Company Secretary at [invtrusts.cosec@jpmorgan.com](mailto:invtrusts.cosec@jpmorgan.com).

My fellow Board members, representatives of JPMorgan and I look forward to the opportunity to meet and speak with shareholders after the formalities of the meeting have been concluded.

Shareholders who are unable to attend the AGM are strongly encouraged to submit their proxy votes in advance of the meeting, so they are registered and recorded at the AGM. Proxy votes can be lodged in advance of the AGM either by post or electronically: detailed instructions are included in the Notes to the Notice of the AGM on pages 92 to 95 of the Annual Report.

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

### Outlook

The Board is positive about the Company's prospects for several reasons. Foremost signs that the Japanese economy is emerging from its long period of deflation are most welcome. Rising wages should also encourage consumer spending, while exporters are enjoying the competitive benefits of the weak yen. Other structural trends, including digitalisation, de-carbonisation, changing demographics and technological innovation all augur well for productivity and profits over the medium term. As well, ongoing reforms to Japan's corporate governance also promise to drive increases in shareholder returns for years to come. Despite these positives, equity valuations are still relatively low compared to other markets or relative to the market's own history. After years of disinterest, it is gratifying to see that recent developments in the Japanese equity market seem to be finally capturing the attention of investors, including international investors.

In short, Japan's investment environment is more congenial than it has been for some time, especially for innovative smaller companies with exposure to the structural changes underway across the economy. The Board believes that the Portfolio Managers' focus on quality and growth, supported by JPMorgan's extensive, global and Tokyo-based research resources, mean that the Company is ideally placed to identify and capitalise on the many interesting opportunities this environment is generating for smaller cap businesses. We therefore share the Portfolio Managers' confidence in the Company's ability to deliver attractive levels of capital growth, combined with a regular income, to shareholders over the long term.

**Alexa Henderson**  
Chair

20th June 2024

# Investment Manager's Report

## Performance and Market Review

The 12-month period to March 2024 was another difficult year for the Company's relative performance, following the underperformance of the two previous years, although on an absolute basis the Company continues to claw back some of its previous losses, and, during the past year, it made a positive absolute return. The Company produced a total return on net assets of +5.0% over the period, while the benchmark, the MSCI Japan Small Cap Net Return Index (in sterling terms), produced a total return of +12.0%, meaning the Company underperformed the benchmark by 7.0%. The MSCI Japan Small Cap Growth index which better reflects the Company's portfolio rose by 6.6% during this period.

Historically, the Japanese equity market has been under-owned, but it has come back into focus over the past year, and encouragingly the Nikkei Index reached its highest levels in 34 years earlier this year. Key reasons for the positive market sentiment include: ongoing improvements in corporate governance, signs that the economy is finally emerging from a long period of deflation, and a weaker Japanese yen, which is supporting export earnings.

Corporate governance reforms are no longer a new story. Developments on this front have been underway over the past decade, thanks in large part to the Corporate Governance Code introduced in 2015. The reforms have delivered rising shareholder returns, via increased dividends and share buybacks, and greater board independence and transparency. However, recently we have witnessed further pressure on corporates to improve their governance. Early in 2023, the Tokyo Stock Exchange (TSE) announced initiatives requiring corporates whose share price is consistently below 1x price to book to take steps to raise their valuations. Since then the Financial Services Authority (FSA) has urged non-life insurance companies to sell their strategic shareholdings, following a price fixing scandal. Such strategic shareholdings have long been viewed as problematic for corporate governance and capital efficiency.

Japan is also finally seeing some modest upward pressure on prices and wages, which led the Bank of Japan (BoJ) to begin raising interest rates in March 2024, for the first time in seventeen years. This is consistent with market expectations for a gradual normalisation of the BoJ's ultra-loose monetary policy, although expectations are not for aggressive monetary tightening.

While the broader Japanese equity market has performed well, value stocks have continued to outperform growth as interest rates remain high globally. Large caps have also been in favour compared to small caps, thanks in part to foreign buying. In addition, the weaker Japanese yen has increased the appeal of exporters, which are mainly large cap stocks.

These developments have adversely impacted the Company's performance, given its bias towards quality and growth stocks and its focus on smaller cap companies. While we are very disappointed to report another year of weak relative performance, our investment strategy looks beyond short-term market fluctuations and adopts a long-term perspective, based on the view that excess returns take time to accumulate, especially for smaller cap stocks. We continue to believe this is an attractive area of the market in which to invest over the long term, as the sector includes many interesting businesses geared towards new technology and themes such as e-commerce and digitalisation, technology hardware, and healthcare. We intend to maintain our current investment strategy.



**Miyako Urabe**  
Portfolio Manager



**Xuming Tao**  
Portfolio Manager



## Investment Manager's Report

### Performance attribution

Year ended 31st March 2024

	%	%
<b>Contributions to total returns</b>		
<b>Benchmark return</b>		<b>12.0</b>
Sector allocation	-1.4	
Stock selection	-6.1	
Gearing/cash	1.7	
<b>Return relative to benchmark</b>		<b>-5.8</b>
<b>Portfolio return</b>		<b>6.2</b>
Management fee/other expenses	-1.2	
<b>Return on net assets<sup>A</sup></b>		<b>5.0</b>
<b>Return to shareholders<sup>A</sup></b>		<b>2.3</b>

Source: Factset, JPMAM, Morningstar.

All figures are on a total return basis.

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

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

A glossary of terms and Alternative Performance Measures is provided on pages 96 and 97.

### Spotlight on sectors and stocks

Our bias towards growth and quality companies means that the portfolio differs substantially from the benchmark. This variance can often lead to notable volatility in performance relative to the benchmark over the short term, as we have seen in recent years.

During the 12 months under review, both our sector allocation and stock selection decisions had a negative impact on performance.

The biggest positive contributors at the sector level include our overweight in Semiconductors & Semiconductor Equipment and Materials, and our underweight in Equity Real Estate Investment Trusts (REITs). We are positive on the semiconductor supply chain, as we expect the sector to see sustained growth in demand over the long term, backed by structural trends such as the rapid spread of artificial intelligence (AI), the growth of the internet of things (IoT), and the increasing use of electronics in vehicles. Our holdings in Materials include a broad range of quality companies with strong competitive positions, ranging from industrial gas producers to the suppliers of key materials used in the healthcare space. The underweight to REITs is driven by the lack of attractive growth stories in this area of the market.

On the other hand, the main detractors at the sector level were our underweight position in Banks and overweight positions in Software & Services and Commercial & Professional Services. Banks performed strongly in response to the BoJ's gradual monetary policy normalisation. While increased interest rates will likely support banks' earnings, it is difficult to find any legacy banks with sustainable long-term growth opportunities, or clear competitive advantages. The only bank stock we own is Rakuten Bank, which is a fast-growing online bank with the ability to leverage the broader Rakuten group ecosystem to acquire new business. We continue to believe that the Software & Services sector offers many attractive opportunities, especially related to digitalisation, where demand will remain strong over the mid/long-term, as Japan plays catch-up with other major economies in areas such as e-commerce, cloud software services and cashless payments.

At the stock level, several names made significant positive contributions to returns, including Nippon Sanso, Sanwa Holdings and OSAKA SODA:

- **Nippon Sanso** is Japan's number one supplier of industrial gas and the fourth largest supplier in the world. We believe that industrial gas is an attractive industry, with high barriers to entry,

## Investment Manager's Report

increasingly consolidated market shares, strong cashflow generation and a favourable pricing environment. Nippon Sanso has been successfully expanding its presence both organically and through M&A activity. Over the past year, the industrial gas industry has continued to demonstrate strong pricing power under an inflationary environment, with successful price hikes globally.

- **Sanwa Holdings** is the number one shutter maker in Japan. The domestic market is very stable, dominated by three companies, and Sanwa has the strongest position with over 50% market share. The company also has a presence in the US and Europe, mainly through acquisitions. While the end-demand is cyclical, the company is very well managed, with consistently positive free cashflow, steady margins and proactive shareholder returns. Execution on pricing strategy through the current inflationary environment has also been strong.
- **OSAKA SODA** is a chemical company that holds the top global position in multiple niche product categories. The company's biggest future growth driver is silica gel, which is used in the production of obesity drugs. OSAKA SODA has the largest share of the world market for this material, and profitability is very high, as the obesity drug market is growing rapidly. The company is currently expanding its manufacturing capacity accordingly. Developments on the governance front are also positive. The company has announced a medium-term plan to enhance its shareholder return policy and it is now targeting a total payout ratio of 40%, compared to around 20% previously.

Unfortunately, the positive performance effect of these stock selection decisions was more than offset by the adverse impact of other positions, notably Milbon, Taiyo Yuden and Square Enix. However, these names all remain in the portfolio due to our still favourable assessments of their longer-term growth prospects.

- **Milbon** is Japan's number one manufacturer of salon exclusive hair care products. With a strong consulting sales approach, the company has been expanding market share at home, and abroad, including in China and Korea. In the near-term, rising raw material costs have dampened profitability, but our positive assessment of Milbon's positioning, and its scope to expand both domestically and overseas, remains unchanged. The company has recently announced plans to raise prices.
- **Taiyo Yuden** manufactures electronic components such as multi-layer ceramic capacitors (MLCCs) used in cars and industrial equipment. It is benefiting from rapid technological innovation in the auto industry, including the rising popularity of electric vehicles, autonomous driving, and 'connected cars' that use mobile internet technology. This is translating into significant potential demand for high quality MLCCs over the medium term. In the near-term, however, demand has been sluggish for all MLCC makers due to an inventory correction.
- **Square Enix** develops and publishes video game software, including long-running titles from its Dragon Quest and Final Fantasy IPS. A consistently rising digital download ratio is a favourable industry trend, as digital downloads have higher profitability than packaged games thanks to easier and much cheaper distribution. Square Enix possesses strong intellectual property in the form of a library of popular games and is thus set to benefit from this trend. Near-term earnings have, however, been disappointing, with weaker than expected title sales. The new CEO is focusing on raising profitability to improve the business's performance, and we will monitor execution going forward.

### About our investment philosophy

The Company aims to provide shareholders with access to the innovative and fast-growing smaller companies at the core of the Japanese economy. Our investment approach favours quality and structural growth, and we target companies – other than Japan's largest 200 – which we believe can compound earnings growth over the long term, supported by strong competitive advantages, good management teams and judicious capital allocation. We believe the strong and durable market positioning of such businesses will allow them to substantially increase their intrinsic value over time. We avoid stocks that have no clear differentiation and those that operate in industries plagued by excess supply and structural decline.

## Investment Manager's Report

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

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

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

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

### Trends and themes

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

The investment themes which help shape the portfolio include:

- **Changing demographics:** Japan's ageing and declining population is creating significant challenges for Japanese policymakers. The government is committed to tackling these issues through regulatory reforms and greater use of technology, and this is providing opportunities for innovative smaller companies working to improve the quality of life for the elderly, for example, by reducing the need for face-to-face medical consultations. The telemedicine company, Medley, is an example of a portfolio holding benefiting from such innovation.
- **Raising labour productivity via digitalisation:** Japan's ageing population profile is also leading to a contraction in labour supply, and technology is a key part of the solution to this problem, as it raises labour productivity. The government wishes to encourage the adoption of digital technology across the economy, and to this end it has established an agency which is focused on digitalising the operations of national and local governments, as well as Japan's education and healthcare systems. Portfolio holdings Rakus, a cloud services provider, and Infomart, a business-to-business trading platform for the food industry, are examples of holdings that benefit from this long-term trend.
- **Technological innovation:** While certain areas of the Japanese economy lag other markets in terms of their technological sophistication, Japan's manufacturers are world class. The country is a leading global supplier of factory automation equipment, robots, electronics parts and materials,



## Investment Manager's Report

presenting attractive investment opportunities for portfolio companies such as MEC and Rorze that specialise in niche technology markets.

- **De-carbonisation:** The Japanese government's commitment to reduce carbon emissions to net zero by 2050 has galvanised efforts to transition the economy to renewable energy sources and take other necessary steps to mitigate climate change. Some smaller Japanese companies possess unique technologies related to the production of electric vehicles, solar and wind power and other forms of clean energy, and we continue our search for companies such as Canadian Solar Infrastructure Fund that are well-positioned to benefit from the global push towards carbon neutrality.
- **Overseas growth:** The Asian region is experiencing rapid structural growth. Japanese luxury goods producers and other strong brands captured by our investments in Milbon, a supplier of exclusive hair products (discussed above), and watchmaker Seiko, are likely to continue experiencing strong demand from new customers in China, Korea, India and other increasingly prosperous Asian countries.
- **Corporate governance:** Japan's corporate sector is making a concerted effort to strengthen governance standards via enhanced shareholder returns, the appointment of more independent, external directors to company boards, tighter internal controls and more transparent disclosure rules. As discussed above, the Japanese authorities, and the TSE, continue to encourage these efforts and there is room for further improvement. We engage in constructive dialogues with portfolio companies and potential investments on this broad theme, on the view that the market is likely to keep rewarding companies that upgrade their governance practices.

### Portfolio Activity

Key new purchases during the reporting period included **Azbil**, **LIFEDRINK** and **Sohgo Security Services**.

- **Azbil** is a building solutions provider. The company provides integrated solutions for building control systems, including architectural design, efficient and environmentally friendly heating and cooling systems and custom-made key components, as well as on and off site management and maintenance services. Azbil is the dominant player in Japan, with a domestic market share of 80%, and it is a very steady and recurring business with maintenance and repairs accounting for 70% of its activities. We see a continued healthy business environment as customers focus increasingly on energy saving solutions.
- **LIFEDRINK** is a beverage company focused on private label products for retailers. The company has a vertically integrated business model which allows it to offer lower prices and enjoy higher margins. We believe the company has a healthy growth runway, as the Japanese market for private label products is still under-developed compared to overseas markets such as US, and the inflationary environment is ensuring strong demand, as consumers prefer the company's lower priced items to national brands.
- **Sohgo Security Services** is a security service provider focused on the installation of sensors and monitoring equipment and station security services for home and commercial use. The company has the second largest share of the domestic market and is expected to gradually build on this thanks to regulation that favours largescale players. The business has defensive characteristics and has also recently started to increase shareholder returns, although we believe there is potential for further progress on this front given its net cash position.

To fund these and other acquisitions, our largest divestments over the past year included Marui Group, Paltac and Nextage. We continue to believe retailer Marui Group has made excellent progress in recent years by shifting its retail business to a lower risk model and focusing on its finance business, while stepping up shareholder returns, including via a large scale buyback. However, as this story has now largely played out, we have used this position as a source of cash for new ideas. Paltac is the domestic number one wholesaler for daily necessities and toiletries. We expect the company will continue to expand market share and execute topline growth, but we closed the position as we have some concerns over rising labour costs. Nextage is one of Japan's top three used car sellers. The used car market is highly fragmented, with scope for consolidation over the long-term, and Nextage

## Investment Manager's Report

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has been expanding through new store openings. However, there have been media reports of fraudulent insurance claims by various companies within the industry, including Nextage, so we exited the position.

### Outlook and strategy

After a long period of being unloved and under-owned, we are optimistic about the outlook for both Japanese equities and our portfolio. We believe the global investment community's perception of the Japanese market is starting to improve, with the key structural supports being the continued progress on corporate governance reforms and signs of an exit from deflation.

Reforms to corporate governance over the past few years (as highlighted in the Performance and Market Review section on page 11) have already lifted shareholder returns, and with many Japanese companies still awash with cash, we expect further significant efforts to return cash to shareholders, and increase investment returns accordingly. This expectation is based on our conversations with hundreds of companies. We sense an acceleration in corporate reform efforts this year, particularly after the Tokyo Stock Exchange's (TSE) initiatives announced last year. We anticipate further broad-based progress on the corporate governance front, not only by companies trading below book value. Balance sheet inefficiency is an issue across the Japanese market, and even high-quality companies with strong competitive positions have room to up their game, and shareholder returns will rise accordingly. The portfolio's exposure to several other significant, very positive, long-term structural trends should provide further impetus to performance over the longer term.

There are also signs the country is finally emerging from a long period of deflation. The spring wage negotiations, also known as the Shunto, agreed to a 5.3% wage increase this year, which is the highest level in the past three decades, and well ahead of inflation. A rise in real wages should help to boost consumer sentiment and domestic demand and hopefully eradicate consumers' deflationary mindset.

All these factors – in particular the longer-term potential for improved shareholder returns – bode well for Japanese equities. Meanwhile, despite the market's positive prospects, Japanese equity valuations do not look demanding, either compared to other major markets, or relative to the market's own history. With valuations at attractive levels, and global investors still mostly underweight Japanese equities, even after last year's net investment, prospects appear bright. This is especially the case for small caps with growth characteristics.

We are well-positioned to benefit from this favourable environment. Japan's smaller and more entrepreneurial companies are at the forefront of innovation. Many are global leaders set to prosper over the long term. Yet, the sell side coverage for such exciting small and mid-cap companies remains limited. This gives us a considerable competitive advantage, as our large and dedicated team of Japanese equities analysts and fund managers based on the ground in Tokyo is ideally placed to discover exciting investment opportunities amongst smaller companies, and to capitalise on the long-term structural changes playing out in Japan. We therefore remain confident our investment approach and portfolio positioning will deliver positive and sustained returns to our shareholders over the medium and long term.

Thank you for your ongoing support.

For and on behalf of  
**JPMorgan Asset Management**  
 Investment Manager

**Miyako Urabe**  
**Xuming Tao**  
 Portfolio Managers

20th June 2024

# Environmental, Social and Governance Report

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

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

Successful engagement with Japanese companies, as ever, requires detailed research, patience and persistence. Our team of Tokyo-based investment managers, analysts and investment stewardship specialists are very well positioned to ensure successful engagement on behalf of your Company.

It is encouraging that many Japanese companies are now taking steps to improve their corporate governance. A draft revision of the Japanese Corporate Governance Code was released in March 2021. Whilst, disappointingly, this revision did not include any changes to rules relating to cross shareholdings, there have been significant moves in connection with corporate viability initiatives and their disclosure. Companies are being asked to elaborate on their policy on viability, show the measures they are taking to ensure and promote diversity, and provide information on their investment in human capital and intellectual property. For the time being, only companies listed on the Prime Market will need to disclose the impact of climate-related risks and opportunities, based on the Taskforce on Climate-related Financial Disclosure ('TCFD') or equivalent framework. The revision to the Corporate Governance Codes follows the amendments to the 2014 Japanese Stewardship Code which came into effect on 24th March 2020. Investment managers who have adopted the Stewardship Code are required to consider viability as part of their investment process and provide more disclosure. The changes should encourage more integration of financially material ESG factors by other investors, help to promote transparency by companies, and encourage more constructive dialogue between investors and companies. Additionally, the Tokyo Stock Exchange (TSE) has come out with initiatives last year to encourage companies whose share prices are trading below book value to boost capital efficiency. Specifically, the TSE commented that companies with a price-to-book ratio consistently below 1x should be required to disclose their policies to remedy this. We see this initiative as encouraging for the overall Japanese equity market.

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

J.P. Morgan Asset Management is also a member of the Investor Group of the 30% Club Japan. The 30% Club is a global campaign founded in the UK in 2010 that aims to achieve at least 30% representation of women on all boards and C-suites globally. Its Japan chapter was founded in 2019 and aims to achieve 30% representation of women on the boards of TOPIX100 companies by 2030. Representation stood at 19.6%, as of September 2023.

## How do we integrate ESG into our investment processes?

We address ESG issues at three different stages of our process: (1) research approach; (2) engagement; and (3) portfolio construction.

### 1. Research

Our analysts incorporate financially material ESG considerations into their analysis to gauge the viability of a business, the quality of management and the risks posed to minority shareholders. Such considerations are formally addressed in our 40 question ESG Checklist, with 12 specific questions on the environment, 14 on social impact and 14 on governance. The 40 questions are a globally consistent subset of our 98-question Risk Profile which focuses more broadly on viability and includes additional questions specific to financially material ESG considerations in Emerging and Asia Pacific markets. The Risk Profile analysis is completed for every company we cover with the primary goal of identifying the key risks associated with the company and an investment in its publicly-traded securities. The checklist includes both negative and positive questions, as well as a severity assessment. The checklist is not a 'pass/fail' exercise but rather a tool to inform discussions between portfolio managers and fundamental analysts, together with our engagements with the companies we cover.

Additionally, a fundamental materiality framework was implemented in 2020. The basis of 'materiality' is to identify the ESG issues that are most likely to have a material negative financial impact on a company were it to be mismanaged, or potentially



## Environmental, Social and Governance Report

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a material positive impact if it were to be managed well. Across each of over 50 different sub-industries, material issues are identified by research analysts, who come together to share perspectives from their coverage with their sector group peers.

Every company receives a score from 1 (best) to 5 (worst) on each of the material issues that have been identified.

The implementation of this research framework has deepened our understanding of what best practice looks like for viability and we use this template to engage with companies.

### 2. Engagement

Active engagement with companies has long been an integral part of our approach to investment and ESG. We use it not only to understand how companies consider issues relating to ESG but also to try to influence their behaviour and encourage best practices for the purpose of enhancing returns for the Company. Engagement is a collaboration between portfolio managers, research analysts and the Investment Stewardship team. Each brings a different perspective to our interactions with companies across our Six Investment Stewardship Priorities and our research framework:

- Our Six Investment Stewardship Priorities are the highest-level statement of universal priorities and comprise of: Governance, Strategy Alignment with the Long Term, Human Capital Management, Social Stakeholder Engagement, Natural Capital and Ecosystems and Climate Change. Set by our Sustainable Investing team, these are the corporate engagement principles that we believe will have universal applicability and stand the test of time.
- Our bottom-up research framework captures the ESG insights of our investors through the research elements detailed in the previous section. Our portfolio managers often identify issues relating to ESG through their day-to-day work and interaction with company management teams. In these instances, investors may choose to involve the Investment Stewardship team.

Methods of engagement typically include regular meetings, video conferences or email exchanges with senior executives and non-executive management. Proxy voting is also a valuable means of communication. Where social or environmental issues are the subject of a proxy vote, JPMAM will consider the issues on a case-by-case basis, keeping in mind the best economic interests of the Company. Increasingly, shareholder proposals are being used by activist groups to target companies as a means of promoting single-issue agendas. In these instances, it is important to differentiate between constructive resolutions – intended to bring about genuine social or environmental improvement – and hostile proposals – intended to limit management power – which may in the end erode shareholder value.

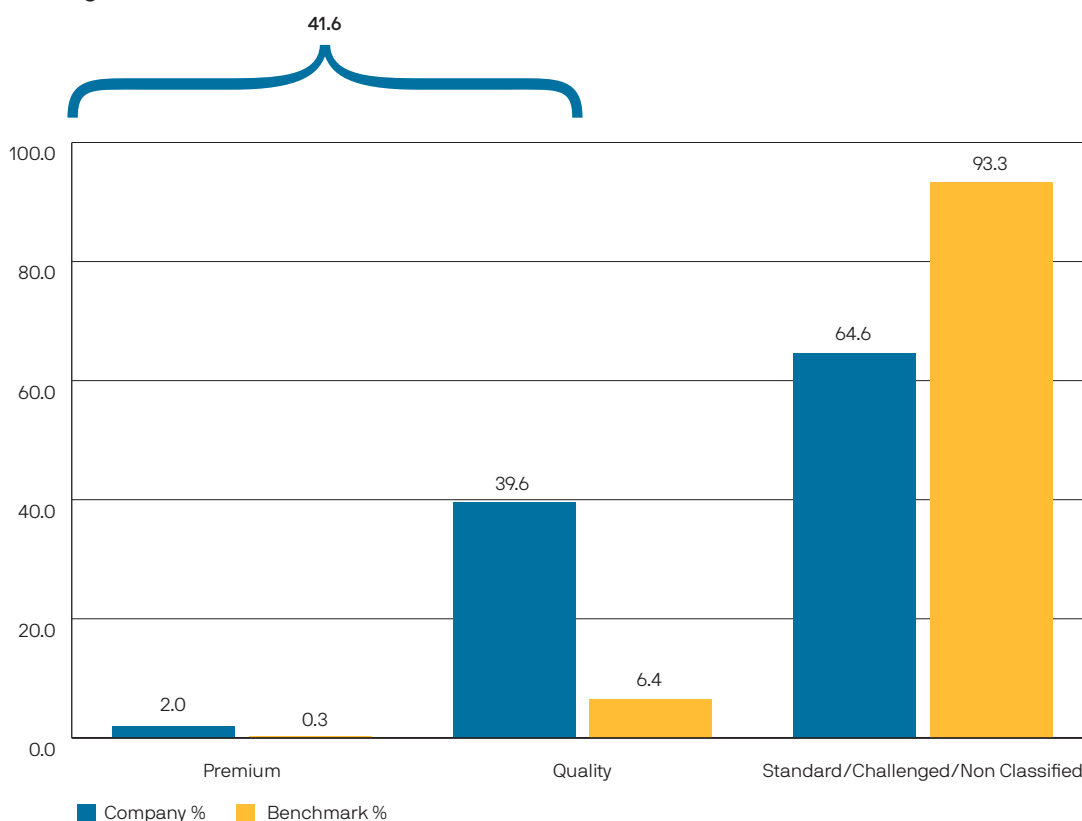
Our engagement activity is reported to the Board on a quarterly basis.

### 3. Portfolio construction

While we do not exclude individual stocks explicitly on social, environmental or ethical criteria (unless specifically requested by clients or required by local legislation), financially material ESG factors could affect our degree of conviction and impact a stock's position sizing during portfolio construction. Our conviction is a function of the quality of the business and our understanding of the opportunity and the risks, which are informed by the Strategic Classification and Risk Profile. We assign each business a strategic classification that ranges from Premium (best) to Quality and then to Standard, Challenged. This label is arrived at after a thorough examination of economics, duration and governance. Environmental and Social issues have always been part of our assessment of duration, along with broader considerations like the competitive and regulatory landscape faced by the business. By definition, we have greater conviction in Premium and Quality companies, hence the portfolio tends to have large overweight positions in Premium and Quality companies.

# Environmental, Social and Governance Report

## Strategic classification: Portfolio versus benchmark, as of 31st March 2024



Source: J.P. Morgan Asset Management (unaudited)

## Strategic Priorities for Investment Stewardship Activities Globally

In December 2022, J.P. Morgan Asset Management reviewed the five global investment stewardship priorities that had been identified in 2020 as posing the most significant long-term financial risks to its investments. Following the review, a new priority, natural capital and ecosystems was added. Issues include: the extraction of natural resources and their use in industrial production and other business activity; waste and recycling; the concept of the circular economy; and strong systems of production. Like climate risk over the past decade, we believe that natural capital and ecosystems will emerge as a key investment and stewardship consideration in the coming decade because of the potential impact on the long-term value of companies. Engagement has commenced with a focus list of companies that have been identified by the global Stewardship team, in collaboration with the investment managers and analysts, as those with material ESG risks. Whilst it is anticipated that the constituents will change year on year, currently 30 Japanese companies are on the list including, as of March 2024, three companies in the portfolio. The global Stewardship team will lead proactive, frequent engagement with these companies to seek to resolve our ESG concerns. This engagement is in addition to that undertaken more generally by the regional Stewardship team, investment managers and analysts in respect of companies in the portfolio.

## Corporate Engagement

Regular contact with the investee companies is central to the investment process, and there is recognition of the importance of being an 'active' owner on behalf of shareholders.

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

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

## Environmental, Social and Governance Report

### Examples of Specific Recent ESG Engagements

#### SWCC

SWCC is a wire and cable manufacturer. We have engaged with the company since 2021 to urge it to address its: quality testing issues, the composition of board of directors, reduction of cross-shareholdings as well as measures on the environmental front.

Following the engagement, we can confirm that the company has identified the key reason behind the quality testing issues and put in place preventive measures by enhancing the use of its whistle blowing systems within the company.

At the 2022 AGM, we opposed to the appointment of the CEO because the board was not majority-independent, and cross-shareholdings exceeded 10% of the company's net assets. In 2023, we saw progress in board composition, with a majority of external members and multiple female directors being appointed, but cross-shareholdings remained relatively high, leading to continued opposition and encouraging further action. Subsequently, the company continued to reduce its cross shareholdings in the latter half of last year, reducing them to less than 10% of net assets. We appreciated such action and further questioned the quantitative justifications of the remaining cross shares and urged for continued unwinding.

We queried in 2023 with regard to climate change when the company raised its short-term and medium-term reduction target for scope 1 and 2 GHG reductions to cut by 45% (previously 25%) by 2025 and 50% (35%) by 2030 compared with the FY2013 level. The company explained that as c.80% of the total emission came from electricity use, it could be achieved by increasing the use of renewables to more than 30% of the total by 2025. We requested the company to accumulate scope 3 data and disclose them as next steps. In our follow up engagement with the company in 2024, we confirmed that they had analysed the scope 3 data by listening to our recommendation. The CEO said the strategy to reduce scope 1 and 2 were on track by introducing renewable energy at its production sites, and it now had a much clearer understanding of the importance in reducing scope 3 emissions from its raw materials, such as plastics and copper, and was now examining plans to increase the use of recycled materials.

#### DTS

DTS is a system integrator. We have engaged with the company since 2021 to raise our concerns. In 2022, the company clarified its capital allocation policy in the business plan as well as establishing the sustainability committee with an aim to promote initiatives on viability issues by identifying key challenges such as GHG emission reduction and diversity in the workplace. At the AGM, the company appointed a majority of external directors to the board and two female board directors. In 2023, we welcomed these initiatives and further asked to refresh the external directors and members of the nomination committee related to NTT Data, the large shareholder of the company that has significant business affiliation and from which the CEO comes from, to make the nomination process more transparent.

In our follow up engagement in 2024, we discussed the company's approach to TSE requests to implement management that is conscious of costs of capital. The company explained its plan to provide thorough explanation at the FY2023 result announcement. We appreciated the direction to reduce cash allocation as presented in its mid-long term business plan by increasing investments and shareholder returns, and further requested to provide the rationale in setting the target cash ratio at around 40% to the total asset during the mid-term and 30% in the long term. We urged the unwinding of cross shareholdings, which the company explained to hold with the purpose of maintaining businesses, as they hurt capital efficiency, raise concerns about potential conflicts of interests and could weaken governance of investee companies. With regard to climate change, we appreciated the swift action to apply to SBTi to get its GHG emissions reduction target approved. In its effort to reduce scope 3 emissions, the company has been improving the data accuracy beyond estimations by accumulating the real data from its contractors. The company explained that the actual scope 3 data would be reduced to half through this effort, but beyond that, it needed to provide incentive schemes to contractors to use renewable energy to promote net zero. In respect to human capital, with 3% wage hike and introduction of share plans to employees, and helped by recent M&As, the company explained it had not faced difficulty in securing necessary employees, and attrition rate were controlled at industry average of around 5%.

### Voting for the Year to 31st March 2024

A summary of key voting statistics and activity undertaken in respect of stocks in the Company's portfolio for the year to 31st March 2024 is detailed below. On behalf of the Company, J.P. Morgan Asset Management Japan voted at all the 76 annual general meetings and one extraordinary meeting of investee companies held during the fiscal year.

As last year, the highest percentage of votes against management were in relation to dividend proposals. We voted against management where we found insufficient shareholder return at companies generating strong free cash flow, despite taking into consideration investment needed for growth. Other major reasons for votes being cast against management included lack of majority outside directors at the board and candidates for external directors lacking independence. We noted an increase in proposals asking to amend articles of incorporation to authorise the board to determine income allocation, while the number of proposals relating to the introduction of virtual-only shareholder meetings has significantly decreased compared with the previous year.



## Environmental, Social and Governance Report

There were three shareholder proposals submitted by an activist at Rinnai Corp: to initiate a share repurchase programme; to amend the articles of incorporation to add a provision concerning directors' share ownership; and to require a majority outsider board at the annual general meeting. We supported two of the proposals: for share repurchase programme and the board with majority outsiders, however, we voted against the proposal urging additional provision of directors' share ownerships as we understood the company had already provided the directors sufficient share ownerships.

### Voting at Shareholder Meetings Held During the Year to 31st March 2024

	For	Against	Abstain	Against/ Abstain Total	Total Items	% Against
Election of Directors	460	166	0	166	626	26.5%
Election of Statutory Auditors	42	10	0	10	52	19.2%
Director Remuneration <sup>1</sup>	25	1	0	1	26	3.8%
Income Allocation <sup>2</sup>	32	22	0	22	54	40.7%
Reorganisation and Mergers	1	0	0	0	1	0.0%
Amendment to Articles of Association	15	3	0	3	18	16.7%
Ratification of Auditors	3	0	0	0	3	0.0%
Reduction in Share Capital	0	0	0	0	0	
Poison Pill	0	0	0	0	0	
<b>Total</b>	<b>578</b>	<b>202</b>	<b>0</b>	<b>202</b>	<b>780</b>	<b>25.9%</b>

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

<sup>2</sup> Enhanced return to shareholders.

### Shareholder Proposals Submitted During the Year to 31st March 2024

	For	Against	Abstain	Against/ Abstain Total	Total Items	% Against
Initiate Share Repurchase Programme	1	0	0	0	1	0.0%
Amend Articles to Add Provision concerning Directors' Share Ownership	0	1	0	1	1	100.0%
Amend Articles to Require Majority Outsider Board	1	0	0	0	1	0.0%
<b>Total</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>33.3%</b>

## Environmental, Social and Governance Report

### The Carbon Scorecard

The Carbon Scorecard calculates the carbon footprint of the portfolio, by summing up the proportionate carbon emissions of portfolio companies based on the investor's ownership share. Carbon intensity expresses the carbon efficiency of the portfolio by measuring the carbon emissions per sales generated by portfolio companies based on the investor's ownership share whereas weighted average carbon intensity indicates the carbon intensity of the portfolio agnostic to the ownership share.

The portfolio companies have low carbon emissions which is unsurprising, given our emphasis on newer industries. While the carbon footprint is an important starting point to help understand the portfolio's exposure to climate risks, we also review the strategic initiatives undertaken by individual companies to manage their environmental impact.

The table below contains the numbers as of 31st March 2024.

	Carbon Emissions tons CO2e / \$M invested	Carbon Intensity tons CO2e / \$M sales	Weighted Average Carbon Intensity tons CO2e / \$M sales
<b>Portfolio</b>	<b>77.8</b>	<b>89.5</b>	<b>88.3</b>
Coverage by Portfolio Weight*	84.6%	84.6%	84.6%
<b>Index</b>	<b>315.1</b>	<b>213.8</b>	<b>125.6</b>
Coverage by Portfolio Weight*	98.9%	98.9%	98.9%

Source: MSCI ESG Carbon Footprint Calculator.

\* Coverage may vary by metric because the metrics are calculated using different underlying factors. Shows the percentage of the Portfolio/Index in respect of which carbon data is calculated.

J.P. Morgan Asset Management

## Portfolio Information

## Ten largest investments

As at 31st March

Company	Sector	2024 Valuation		2023 Valuation	
		£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
Nippon Sanso <sup>2</sup>	Chemicals	6,324	3.0	3,685	1.8
Sanwa	Metal Products	5,804	2.8	4,272	2.1
Mitsubishi HC Capital <sup>2</sup>	Other Financing Business	5,679	2.7	4,215	2.0
BIPROGY	Information & Communication	5,395	2.6	4,490	2.2
Sangetsu <sup>2</sup>	Wholesale Trade	5,112	2.4	3,972	1.9
LIFEDRINK <sup>2</sup>	Foods	5,037	2.4	—	—
MEC	Chemicals	4,814	2.3	4,936	2.4
Kyudenko <sup>2</sup>	Construction	4,777	2.3	—	—
Mitsui Chemicals	Chemicals	4,737	2.3	4,333	2.1
Raito Kogyo	Construction	4,635	2.2	5,170	2.5
<b>Total<sup>3</sup></b>		<b>52,314</b>	<b>25.0</b>	<b>35,073</b>	<b>17.0</b>

<sup>1</sup> Based on total investments of £209.0m (2023: £206.9m).<sup>2</sup> Not included in the ten largest investments at 31st March 2023.<sup>3</sup> At 31st March 2023, the value of the ten largest investments amounted to £47.2m representing 22.9% of total investments.

## Portfolio Information

### Sector analysis

As at 31st March

	31st March 2024		31st March 2023	
	Portfolio	Benchmark	Portfolio	Benchmark
	% <sup>1</sup>	%	% <sup>1</sup>	%
Chemicals	17.7	8.2	19.0	7.7
Information & Communication	12.9	5.9	15.5	6.1
Services	8.2	5.5	9.5	5.7
Retail Trade	7.0	9.1	9.0	9.8
Construction	6.5	4.6	8.1	4.4
Precision Instruments	5.4	1.7	6.1	6.0
Electric Appliances	5.3	6.2	5.0	10.6
Wholesale Trade	5.1	5.6	4.9	1.5
Real Estate	4.7	8.9	4.9	1.8
Foods	4.0	4.7	4.4	6.9
Pharmaceutical	4.0	2.3	3.6	7.5
Metal Products	3.8	1.9	2.2	2.7
Other Financing Business	2.7	1.7	2.0	1.5
Machinery	2.7	8.1	1.8	1.9
Banks	2.1	5.4	1.8	1.5
Nonferrous Metals	2.0	1.7	1.1	2.2
Land Transportation	1.8	3.2	0.8	1.1
Other Products	1.6	2.1	0.3	0.5
Iron & Steel	1.4	1.4	—	4.3
Glass & Ceramics Products	0.8	2.6	—	1.8
Securities & Commodity Futures	0.3	0.6	—	0.4
Transportation Equipment	—	2.2	—	4.4
Electric Power & Gas	—	2.0	—	0.1
Rubber Products	—	1.0	—	0.6
Textiles & Apparels	—	0.9	—	0.2
Pulp & Paper	—	0.8	—	0.3
Warehousing & Harbour				
Transportation Services	—	0.6	—	0.5
Fishery, Agriculture & Forestry	—	0.4	—	0.9
Oil & Coal Products	—	0.3	—	1.1
Mining	—	0.2	—	2.1
Marine Transportation	—	0.1	—	0.6
Insurance	—	0.1	—	3.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Based on total investments of £209.0m (2023: £206.9m).



## Portfolio Information

## List of investments

As at 31st March

Company	Valuation £'000	%
<b>Chemicals</b>		
Nippon Sanso	6,324	3.0
MEC	4,814	2.3
Mitsui Chemicals	4,737	2.3
Aica Kogyo	4,082	2.0
Osaka Soda	3,315	1.6
Ishihara Sangyo Kaisha	2,816	1.3
Tri Chemical Laboratories	2,402	1.1
C Uyemura	2,309	1.1
Kansai Paint	2,067	1.0
Nifco	2,017	1.0
Kuraray	1,064	0.5
Milbon	936	0.5
	<b>36,883</b>	<b>17.7</b>
<b>Information &amp; Communication</b>		
BIPROGY	5,395	2.6
DTS	3,966	1.9
Capcom	3,732	1.8
Square Enix	3,617	1.7
Visional	2,637	1.3
Rakus	1,983	0.9
GMO Payment Gateway	1,950	0.9
Kadokawa	1,583	0.8
Medley	1,526	0.7
SHIFT	608	0.3
	<b>26,997</b>	<b>12.9</b>
<b>Services</b>		
Japan Material	3,790	1.8
Sohgo Security Services	3,532	1.7
Meitec	3,222	1.5
Daiei Kankyo	2,004	1.0
SMS	1,678	0.8
Infomart	1,212	0.6
Riso Kyoiku	1,045	0.5
Daiseiki	727	0.3
	<b>17,210</b>	<b>8.2</b>

Company	Valuation £'000	%
<b>Retail Trade</b>		
Genky DrugStores	4,022	1.9
Cosmos Pharmaceutical	3,321	1.6
Nippon Gas	2,945	1.4
San-A	2,399	1.2
Monogatari	1,853	0.9
	<b>14,540</b>	<b>7.0</b>
<b>Construction</b>		
Kyudenko	4,777	2.3
Raito Kogyo	4,635	2.2
Sumitomo Densetsu	4,103	2.0
	<b>13,515</b>	<b>6.5</b>
<b>Precision Instruments</b>		
Seiko	3,882	1.9
Nakanishi	2,229	1.1
Asahi Intecc	1,973	0.9
Riken Keiki	1,906	0.9
Topcon	1,343	0.6
	<b>11,333</b>	<b>5.4</b>
<b>Electric Appliances</b>		
Azbil	4,147	2.0
Taiyo Yuden	2,659	1.3
Foster Electric	1,865	0.9
Tera Probe	1,428	0.7
Megachips	691	0.3
Nohmi Bosai	295	0.1
	<b>11,085</b>	<b>5.3</b>
<b>Wholesale Trade</b>		
Sangetsu	5,112	2.4
Sanrio	2,123	1.0
As One	1,861	0.9
Macnica	1,657	0.8
	<b>10,753</b>	<b>5.1</b>
<b>Real Estate</b>		
Mitsui Fudosan Logistics Park	3,586	1.7
Star Mica	2,480	1.2
Canadian Solar Infrastructure Fund	2,433	1.2
JSB	1,336	0.6
	<b>9,835</b>	<b>4.7</b>

## Portfolio Information

### List of investments continued

As at 31st March

Company	Valuation £'000	%
<b>Foods</b>		
LIFEDRINK	5,037	2.4
Warabeya Nichiyo	2,031	1.0
Yamami	1,201	0.6
	<b>8,269</b>	<b>4.0</b>
<b>Pharmaceutical</b>		
Kissei Pharmaceutical	4,461	2.1
Sawai	3,789	1.9
	<b>8,250</b>	<b>4.0</b>
<b>Metal Products</b>		
Sanwa	5,804	2.8
Mimasu Semiconductor Industry	2,185	1.0
	<b>7,989</b>	<b>3.8</b>
<b>Other Financing Business</b>		
Mitsubishi HC Capital	5,679	2.7
	<b>5,679</b>	<b>2.7</b>
<b>Machinery</b>		
Miura	2,837	1.4
Rorze	2,830	1.3
	<b>5,667</b>	<b>2.7</b>
<b>Banks</b>		
Rakuten Bank	4,486	2.1
	<b>4,486</b>	<b>2.1</b>
<b>Nonferrous Metals</b>		
SWCC	4,231	2.0
	<b>4,231</b>	<b>2.0</b>
<b>Land Transportation</b>		
Kyushu Railway	3,807	1.8
	<b>3,807</b>	<b>1.8</b>

Company	Valuation £'000	%
<b>Other Products</b>		
Lintec	1,593	0.8
Pilot	964	0.5
Yonex	727	0.3
	<b>3,284</b>	<b>1.6</b>
<b>Iron &amp; Steel</b>		
Yamato Kogyo	2,933	1.4
	<b>2,933</b>	<b>1.4</b>
<b>Glass &amp; Ceramics Products</b>		
Fujimi	1,594	0.8
	<b>1,594</b>	<b>0.8</b>
<b>Securities &amp; Commodity Futures</b>		
WealthNavi	671	0.3
	<b>671</b>	<b>0.3</b>
<b>Total Investments</b>	<b>209,011</b>	<b>100.0</b>

The portfolio comprises 76 equity investments.

## Ten Year Record

At 31st March	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total assets less current liabilities (£m)	149.1	152.7	207.8	290.2	235.1	248.9	326.1	216.7	196.0	197.0
Net asset value per share (p) <sup>A</sup>	278.6	312.7	377.9	483.1	431.3	401.8	550.0	397.6	359.6	362.4
Share price (p)	250.0	269.5	337.5	427.0	376.0	354.0	502.0	368.0	324.5	317.0
Share price discount to diluted net asset value per share (%) <sup>A</sup>	10.3	13.8	10.7	11.6	12.8	11.9	8.7	7.4	9.8	12.5
Gearing (%)	10.3	4.8	6.3	6.3	7.9	7.5	8.1	6.1	5.6	6.1
Year ended 31st March	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Gross revenue return (£'000)	1,640	2,259	3,528	3,735	4,007	3,836	3,526	3,855	4,739	4,223
Revenue (loss)/return per share – basic/diluted (p)	(0.95)	(0.29)	1.04	1.06	1.24	0.76	(0.06)	0.61	2.92	2.21
Ongoing charges (%) <sup>A</sup>	1.52	1.42	1.31	1.09	1.10	1.14	1.02	1.06	1.19	1.20
Annual total return at 31st March	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return to shareholders (%) <sup>1,A</sup>	35.9	7.8	25.2	26.5	–8.9	–1.6	47.9	–23.3	–7.8	2.3
Return on net assets (%) <sup>2,A</sup>	30.9	12.2	20.9	27.8	–7.9	–3.1	42.4	–24.7	–5.7	5.0
Benchmark return (%) <sup>3</sup>	22.4	6.9	34.6	13.2	–7.3	–6.7	21.7	–8.1	5.0	12.0
Return on net assets relative to benchmark (%) <sup>A</sup>	+8.5	+5.3	–13.8	+14.6	–0.6	+3.5	+20.7	–16.6	–10.7	–7.0

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

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

<sup>3</sup> Source: Morningstar. The Company's benchmark is the MSCI Japan Small Cap Net Return Index (in sterling terms). Prior to 1st April 2021, the Company's benchmark was the S&P Japan SmallCap Net Return (in Sterling terms). For periods starting before 1st April 2021, a combined return for both the current and previous benchmark is shown.

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

A glossary of terms and Alternative Performance Measures is provided on pages 96 and 97.

## Business Review

### Business Review

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

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

### The Company's Purpose, Values, Strategy and Culture

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

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

To ensure that the Company's purpose, values, strategy and culture are aligned, the Board comprises independent,

non-executive Directors from a diverse background who have a breadth of relevant skills and experience. They act with professional integrity and contribute in an open boardroom culture that both supports and challenges the investment management company and its other third party suppliers.

### Investment Objective

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

### Corporate Summary

The Company is registered as a public limited company under the Companies Act 2006 and is an investment company under Section 833 of the Companies Act 2006. It is a member of the AIC.

The Company was incorporated on 26th January 2000 in England and Wales with company number 03916716.

The Company is subject to UK and European legislation and regulations (where EU regulation has been 'onshored' into UK law) including UK company law, UK Financial Reporting Standards, the FCA Listing, Prospectus, Disclosure Guidance and Transparency Rules, the UK Market Abuse Regulation, taxation law, the Company's own Articles of Association and the Alternative Investment Fund Managers Directive.

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

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

### Investment Restrictions and Guidelines

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

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



## Business Review

- Investment in Japanese domiciled unquoted companies is only permitted with the prior approval of the Board.
- No more than 15% of gross assets to be invested in other UK listed investment companies.
- No more than 10% of gross assets to be invested in companies that themselves may invest more than 15% of gross assets in UK listed investment companies.

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

### Review of Performance

In the year ended 31st March 2024, the Company produced a total return on net assets of +5.0% and a total return to ordinary shareholders of +2.3%. These outcomes compare with the total return on the Company's benchmark index of +12.0%. As at 31st March 2024, the value of the Company's investment portfolio was £209.0 million. The Investment Manager's Report on pages 11 to 16 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

### Total Return, Revenue and Dividends

Gross total return for the year amounted to £12.2 million (2023: £9.6 million loss) and the net total return after deducting the management fee, other administrative expenses, finance costs and taxation amounted to £9.2 million (2023: £12.8 million loss). The net revenue return for the year amounted to £1.2 million (2023: £1.6 million). The total dividend for the year was £7.7 million (2023: £8.0 million).

With effect from 1st April 2018, the Company has implemented a dividend policy under which the Company aims to pay, in the absence of unforeseen circumstances, a regular quarterly dividend equal to 1% of the Company's Net Asset Value ('NAV') on the last business day of the preceding financial quarter, being the end of March, June, September and December. Over the year this would approximate to 4% of the average NAV. These dividends are paid from other reserves.

The table below sets out the interim dividends declared in respect of the year ended 31st March 2024:

Period	Announcement Date	Dividend
Q1 2024	3rd July 2023	3.5p
Q2 2024	2nd October 2023	3.5p
Q3 2024	2nd January 2024	3.6p
Q4 2024	2nd April 2024	3.6p
<b>Total</b>		<b>14.2p</b>

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

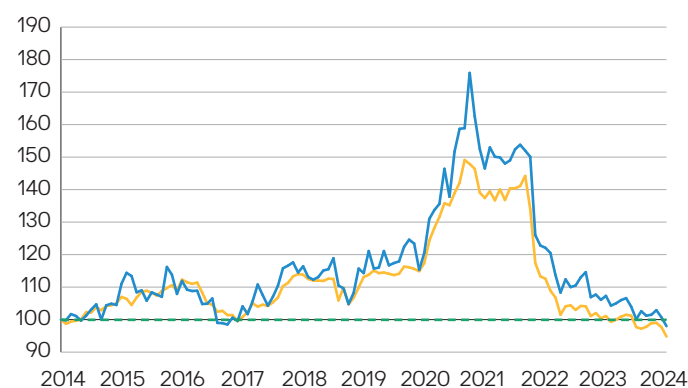
### Key Performance Indicators ('KPIs')

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

- **Absolute performance**
  - The Company seeks to provide long-term capital growth through investment in small and medium-sized Japanese companies. Positive absolute returns are an essential prerequisite for achieving this objective.
- **Performance against the Company's peers and the benchmark index**
  - The principal objective is to achieve capital growth. The Board monitors performance relative to both the benchmark and a broad range of competitor funds. The following chart details the Company's performance against its benchmark.

### Performance Relative to Benchmark Index

Figures have been rebased to 100 at 31st March 2014



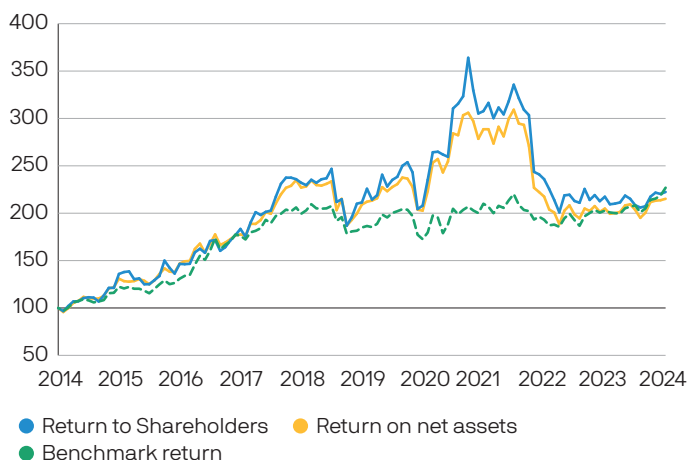
● Return to shareholders ● Return on net assets  
● The benchmark is represented by the Green horizontal line.

Source: Morningstar (total return).

## Business Review

### Ten Year Performance

Figures have been rebased to 100 as at 31st March 2014

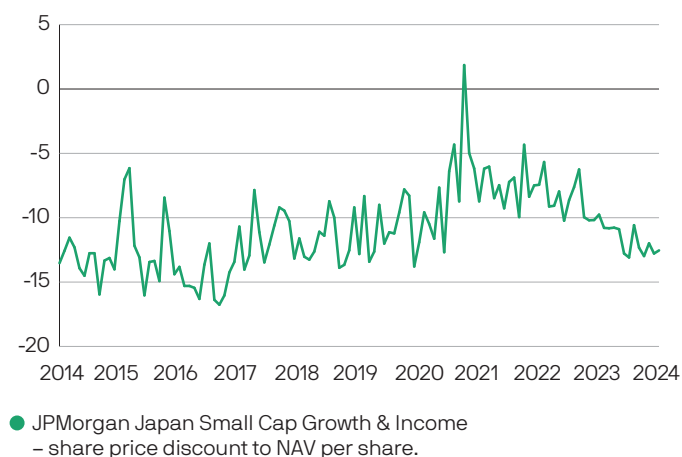


Source: Morningstar/Datastream (total return).

#### ● Share price discount to NAV per share

- The Board recognises that the possibility of a widening discount can be a key disadvantage of investment trusts which can, in turn, discourage investors.
- The Board therefore may use a share repurchase programme to seek to address imbalances in the supply of and demand for the Company's shares within the market and thereby aim to reduce the volatility and absolute level of discount.

### Premium/(discount) Performance



Source: Morningstar.

#### ● Performance attribution

- The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as asset allocation and stock selection. Details of the attribution analysis for the year ended 31st March 2024 are given in the Investment Manager's Report on page 12.

#### ● Ongoing charges

- The ongoing charges represent the Company's management fee and all other operating expenses, excluding any finance costs, expressed as a percentage of the average daily net assets during the year. The ongoing charges for the year ended 31st March 2024 were 1.20% (2023: 1.19%). Each year the Board reviews an analysis which shows a comparison of the Company's ongoing charges and its main expenses against those of its peers.

### Share Capital

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

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

At 31st March 2024, the Company's issued share Capital comprised 54,344,222 Ordinary shares of 10p each, of which 1,600,338 shares are held in Treasury.

Since the year end, the Company repurchased 175,029 shares for holding in Treasury.

Resolutions to renew the authorities to issue new shares, reissue shares from Treasury for cash and to repurchase shares for cancellation or to be held in Treasury will be put to shareholders at the forthcoming AGM. The full text of these Resolutions is set out in the Notice of Meeting on pages 92 and 93.

### Board Diversity

The Board recognises the importance of and benefits of improving the gender and ethnic balance of the Board. Notwithstanding this, the Board remains committed to appointing individuals of a high calibre based on merit, with due regard to the benefits of diversity on the Board.

The Financial Conduct Authority's ('FCA') Listing Rule requires listed companies to report information and disclose against targets on the representation of women and ethnic minorities

## Business Review

on its Boards. The Board is compliant with the targets pertaining to 40% women representation on the Board (Alexa Henderson and Deborah Guthrie) and to have a female appointed in a senior position (Alexa Henderson). Albeit the Board is currently lacking ethnic minority representation on the Board, all Board appointments are made on the basis of a candidate's merits and skills/experience identified by the Board as being desirable to complement those of the existing Directors. However, the Board acknowledges the benefits of greater diversity, including ethnic and gender diversity and will take these factors into account when recruiting a Director to the Board.

Gender	Number of Board Members	Percentage of Board	Number of Senior Roles <sup>1</sup>
Men	2	50%	—
Women	2	50%	1
<b>Ethnicity</b>			
White British (or any other white background)	4	100%	100%
Ethnic Minority	—	—	—

<sup>1</sup> The role of Chair of the Board is classified as a senior position.

The information in the above table is obtained in the annual appraisal process of the Directors, Board and Committees.

### Employees, Social, Community and Human Rights Issues

The Company has a management contract with JPMF. It has no employees and all of its Directors are non-executive. The day to day activities are carried out by third parties. There are therefore no disclosures to be made in respect of employees.

### Environmental, Social and Governance

An increasingly broad spectrum of investors now rightly focus on Environmental, Social and Governance ('ESG') issues for their portfolios. They want to know that their managers are aware of these issues, that they take them into account in building their portfolios and that they raise such issues directly with investee companies. The Board supports and receives reporting on the Investment Manager's approach to financially material ESG considerations which are fully embedded into the investment process.

The Investment Manager believes that companies that address ESG issues and adopt viable business practices are better placed to maximise their performance and create enduring value for shareholders. Corporate governance issues have the most direct bearing on the risk/reward profile of the Company's portfolio; as such it is the area most integrated into the Investment Manager's investment process. However, environmental concerns and social issues are highly relevant and the Investment manager's focus is on

engaging with the management of investee companies to ensure they are taking steps to lessen any negative environmental or social impacts derived from its business model. The Investment Manager engages in meaningful interactions with investee companies through dedicated meetings and exercises the Company's proxy votes in a prudent and diligent manner in the interests of its shareholders. A detailed explanation of the Investment Manager's overall approach to ESG is on page 17 to 22.

The Board further notes JPMAM's global policy statements in respect of ESG issues:

JPMAM believes that companies should act in a socially responsible manner. We believe environmental, social and governance ('ESG') considerations, particularly those related to governance, can play a critical role in long-term investment strategy. As an active investment manager, engagement is an important and ongoing component of our investment process, and we view frequent and direct contact with company management as critically important. When considering investment options, we supplement our proprietary thinking with research from a variety of third-party specialist providers and engage directly with companies on a wide array of ESG issues. Our governance specialists regularly attend scheduled one-on-one company meetings alongside investment analysts to help identify and discuss relevant issues. Although our priority at all times is in the best economic interests of our clients, we recognise that ESG issues have the potential to impact the share price, as well as the reputation of companies.

JPMAM is also a signatory to the United Nations Principles of Responsible Investment, which commits participants to six principles, with the aim of incorporating ESG criteria into their processes when making stock selection decisions and promoting ESG disclosure. The Manager has implemented a policy which seeks to restrict investments in securities issued by companies that have been identified by an independent third party provider as being involved in the manufacture, production or supply of cluster munitions, depleted uranium ammunition and armour and/or anti-personnel mines. Shareholders can obtain further details on the policy by contacting the Manager.

### Greenhouse Gas Emissions

The Company is managed by JPMF with portfolio management delegated to JPMAM. It has no employees and all of its Directors are Non-executive, with the day-to-day activities being carried out by third parties. The Company has no premises, consumes no electricity, gas or diesel fuel and consequently does not have a measurable carbon footprint. It therefore qualifies as a low energy user and is exempt from reporting under the Streamlined Energy & Carbon Reporting requirements. However, the Company's MSCI Carbon ESG Footprint Calculator table is included in the ESG Report on page 22.

## Business Review

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The Board notes the JPMAM policy statements in respect of Employers, Social, Community and Environmental and Human Rights issues and Greenhouse Gas Emissions and that JPMAM is a signatory to the Carbon Disclosure Project and JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance. See [www.jp MorganInvestmentTrusts.co.uk/governance](http://www.jp MorganInvestmentTrusts.co.uk/governance) for further details.

### The Modern Slavery Act 2015 (the 'MSA')

The MSA requires companies to prepare a slavery and human trafficking statement for each financial year of the organisation. As the Company has no employees and does not supply goods and services, the MSA does not apply directly to it. The MSA requirements more appropriately relate to JPMF and JPMAM. JPMorgan's statement on the MSA can be found on the following website:

[www.jp MorganChase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/JPMC-Group-Statement-on-Modern-Slavery-FY2020\\_Final-w-signature.pdf](http://www.jp MorganChase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/JPMC-Group-Statement-on-Modern-Slavery-FY2020_Final-w-signature.pdf)

### Corporate Criminal Offence

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

### Future Prospects

The Board continues to focus on achieving long-term capital growth through investment in small-sized and medium-sized Japanese companies. The outlook for the Company is discussed in both the Chairman's Statement and the Investment Manager's Report.



## Principal and Emerging Risks



The Board has overall responsibility for reviewing the effectiveness of the Company's system of risk management and internal control.

The Board is supported by the Audit Committee in the management of risk. The risk management process is designed to identify, evaluate, manage, and mitigate risks faced.



Although the Board believes that it has a robust framework of internal controls in place this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The risks identified and the ways in which they are managed or mitigated are summarised below.




With the assistance of JPMF, the Audit Committee has drawn up a risk matrix, which identifies the principal and emerging risks to the Company. These are reviewed and discussed on a regular basis by the Board, through the Audit Committee. These risks fall broadly into the following categories:

Principal risk	Description	Mitigation/Control	Movement from Prior Year
Investment and Strategy	An inappropriate investment strategy, poor asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and its peer companies, resulting in a lack of demand for the Company's shares and leading to the shares trading on a wider discount.	<p>The Company has a clearly defined strategy and investment remit, which is reviewed annually. The portfolio is managed by a highly experienced Investment Manager, with a defined investment appraisal process. The Board relies on the Investment Manager's skills and judgment to make investment decisions based on research and analysis of individual stocks and sectors. To aid appropriate investment decisions, the Board has set investment guidelines and parameters for the portfolio managers to follow; these are discussed and reviewed at regular intervals. The AIFM also monitors the Investment Manager against the Company's investment guidelines.</p> <p>The Board reviews the performance of the portfolio against the Company's benchmark index, that of its competitors and the outlook for the markets on a regular basis, with the portfolio managers who attend Board meetings. Where necessary the portfolio managers will take action following a review of the performance.</p> <p>The Board also reviews the level of premium/discount to NAV at which the Company's shares trade and movements in the share register. The Board regularly seeks the views of its investors.</p>	<p>The risk remains high due to the Company's under performance during the year. The Portfolio Managers continue to work to improve the Company's performance against its benchmark index.</p> 
Market	Market risk arises from uncertainty about the future prices of the Company's investments. This market risk comprises three elements – equity market risk, currency risk and interest rate risk.	<p>The Board considers the split in the portfolio between small and large companies, sector and stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines, which are monitored and reported on by JPMF. The Board monitors the implementation and results of the investment process with the Manager. However, the fortunes of the portfolio are significantly determined by market movements in Japanese equities, the rate of exchange between the Japanese yen and sterling and interest rate changes. This is a risk that investors take having invested into a single country fund. The Board recognises the benefits of a closed-end fund structure in extremely volatile markets. During times of elevated market stress, the ability of a closed-ended fund structure to remain invested for the long term enables the Manager to adhere to disciplined fundamental analysis from a bottom-up approach and be ready to respond to dislocations in the market as opportunities present themselves.</p>	<p>The risk remains high but unchanged. The risk remains high subsequent to the recent developments in the Japanese equity market as discussed in the Investment Manager's Report on page 11, which has adversely impacted the Company's performance due to its bias towards quality and growth stocks.</p> 



## Principal and Emerging Risks

Principal risk	Description	Mitigation/Control	Movement from Prior Year
Operational and Cybercrime	Disruption to, or failure of, the Investment Manager's accounting, dealing or payments systems or the custodian's or depository's records could prevent accurate reporting and monitoring of the Company's financial position.	<p>On 1st July 2014, the Company appointed Bank of New York Mellon (International) Limited to act as its depository, responsible for overseeing the operations of the custodian, JPMorgan Chase Bank, N.A., and the Company's cash flows. Details of how the Board monitors the services provided by the Investment Manager and its associates and the key elements designed to provide effective internal control are included in the Risk Management and Internal Control section of the Corporate Governance Report on pages 50 and 51.</p> <p>As an externally managed investment trust, there is a continued reliance on the Investment Manager and other third-party service providers.</p> <p>The Board reviews the overall performance of the Investment Manager and other key third-party service providers and compliance with the investment management agreement on a regular basis to ensure their continued competitiveness and effectiveness, which includes assessment of the providers' control systems, whistle-blowing, anti-bribery and corruption policies and business continuity plans.</p> <p>The Investment Manager's internal control processes are monitored throughout the year and are evidenced through its Service Organisation Control (SOC 1) reports, prepared by an independent auditor. The SOC 1 reports, which are reviewed annually by the Audit Committee, provide assurance in respect of the effective operation of internal controls.</p> <p>Service providers are appointed with clearly-documented contractual arrangements detailing service expectations. The Audit Committee receives assurance and internal controls reports from key service providers on an annual basis.</p> <p>The threat of cyber-attack, in all its guises, is regarded as at least as important as more traditional physical threats to business continuity and security. The Board has received the cyber security policies for its key third party service providers and JPMF has assured the Directors that the Company benefits directly or indirectly from all elements of JPMorgan's Cyber Security programme. The information technology controls around the physical security of JPMorgan's data centres, security of its networks and security of its trading applications are tested by independent reporting accountants and reported every six months against the Audit and Assurance Faculty Standard.</p>	 <p>Risk remains unchanged.</p> <p>The operational requirements of the Company, including from its key third-party service providers, have been subject to rigorous testing. To date the operational arrangements have proven robust and key third-party service providers have not experienced significant operational difficulties.</p> <p>To date the Investment Manager's cyber security arrangements have proven robust and the Company has not been impacted by any cyber attacks threatening its operations.</p>
Loss of Investment Team or Investment Managers	The sudden departure of the portfolio managers or several members of the wider investment management team could result in a short-term deterioration in investment performance.	The Investment Manager takes steps to reduce the likelihood of such an event by ensuring appropriate succession planning and the adoption of a team based approach.	 <p>Risk remains unchanged. The Investment Manager has ensured the portfolio is managed by a robust portfolio management team i.e. the portfolio is co-managed by two portfolio managers who are supported by a number of on-the-ground investment professionals.</p>

## Principal and Emerging Risks

Principal risk	Description	Mitigation/Control	Movement from Prior Year
Share Price Relative to NAV per Share	If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount, leading to volatile returns for shareholders.	The Board monitors the Company's premium/discount level and, although the rating largely depends upon the relative attractiveness of the trust, the Board has authority to issue new shares or buy backs its existing shares when deemed by the Board to be in the best interests of the Company and its shareholders. The Board is committed to consider buying back the Company's shares when/if they stand at anything more than a small discount to enhance the NAV per share for remaining shareholders.	 <p>The risk has been heightened by the widening of the discount at which the share price trades to NAV.</p> <p>Although the widening of the Company's discount is in line with the experience of other investment trusts, given the prolonged period of widened discount, the Board resumed buybacks for the first time since March 2018.</p>
Accounting, Legal and Regulatory	In order to qualify as an investment trust, the Company must comply with Section 1158 of the Corporation Tax Act 2010 ('Section 1158'). Details of the Company's approval are given on page 28. Section 1158 requires, among other matters, that the Company does not retain more than 15% of its investment income, can demonstrate an appropriate diversification of risk and is not a close company.	Were the Company to breach Section 1158, it might lose its investment trust status and, as a consequence, gains within the Company's portfolio would be subject to Capital Gains Tax. The Section 1158 qualification criteria are continually monitored by JPMF and the results reported to the Board each month. The Company must also comply with the provisions of the Companies Act 2006 and, as its shares are listed on the London Stock Exchange, the UKLA Listing Rules and Disclosure Guidance and Transparency Rules ('DTRs'). A breach of the Companies Act 2006 could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules or DTRs could result in the Company's shares being suspended from listing, which in turn would breach Section 1158. The Directors seek to comply with all relevant regulation and legislation in the UK, Europe and the US and rely on the services of its Company Secretary, JPMF, and its professional advisers to monitor compliance with all relevant requirements.	 <p>Risk remains unchanged. Compliance with relevant regulations is monitored on an ongoing basis by the Company Secretary and the Investment Manager who report regularly to the Board.</p>
Political and Economic	Political changes in Japan and the resulting economic uncertainty may affect the Company, the value of its investments in Japan and capital allocation decision making. Changes in legislation globally, may adversely affect the Company either directly or because of restrictions or enforced changes on the operations of the Investment Manager. JPMAM makes recommendations to the Board on accounting, dividend and tax policies and the Board seeks external advice where appropriate. Significant political events could impact the health of the Japanese or UK economy, resulting in the imposition of restrictions on the free movement of capital.	The Company is at risk from changes to the regulatory, legislative and taxation framework within which it operates, whether such changes were designed to affect it or not. The Board monitors and receives advice from the Manager and other advisors on political and economic risks.	 <p>Risk remains unchanged. Political risks have always been part of the investment process.</p>

## Principal and Emerging Risks

Principal risk	Description	Mitigation/Control	Movement from Prior Year
Geopolitical instability and Systematic Risk	<p>Geopolitical Risk is the potential for political, socio-economic (including pandemic) and cultural events and developments to have an adverse effect on the value of the Company's assets.</p> <p>The Company and its assets may be impacted by geopolitical instability, in particular concerns over global economic growth. The war in Ukraine immediately affected energy and commodity markets and the conflict in the Middle East as well as heightened tensions in other parts of the world may cause further damage to the global economy.</p> <p>Systematic risk in the financial system is defined as 'a risk of disruption to financial services that is caused by an impairment of all or parts of the financial system and has the potential to have serious negative consequences for the real economy'.</p>	<p>There is little direct control of this risk possible. The Company addresses these global developments through regular questioning of the Manager and will continue to monitor these issues as they develop.</p> <p>The Board has the ability, with shareholder approval, to amend the policy and objectives of the Company to mitigate the risks arising from geopolitical concerns.</p> <p>Systematic risk is mitigated by the Investment Manager's controls and procedures over areas such as counter-party risk. Further, areas such as gearing levels are closely monitored and subject to board-set limits.</p>	 <p>The risk remains high but unchanged. Geopolitical instability and systematic risks are part of the investment process. In particular, geopolitical tensions and global economic pressures continue to have an unfavourable impact on global markets.</p>
Climate Change	<p>Climate change has become one of the most critical issues confronting companies and their investors. Climate change can have a significant impact on the business models, efficiency and even viability of individual companies, whole sectors and even asset classes.</p>	<p>The Board receives ESG reports from the Manager on the portfolio and the way ESG considerations are integrated into the investment decision-making, so as to mitigate risk at the level of stock selection and portfolio construction. As extreme weather events become more common, the resiliency, business continuity planning and the location strategies of the Company's services providers will come under greater scrutiny.</p>	 <p>The risk remains high but unchanged due to the continued rising of temperatures fueling environmental degradation, natural disasters, weather extremes, food and water insecurity and economic disruption.</p>

## Emerging Risks

The Board is cognisant of emerging risks, which are characterised by a high degree of uncertainty in terms of probability of occurrence and possible effects on the Company.

Emerging risks are considered as they are identified and are incorporated into the Company's risk matrix. The Board, through the Audit Committee, will continue to assess these risks on an ongoing basis. The following have been identified as emerging risks:

Emerging risk	Description	Mitigation/Control
Artificial Intelligence (AI)	<p>While it might equally be deemed a great opportunity and force for good, there appears also to be an increasing risk to business and society more widely from AI. Advances in computing power means that AI has become a powerful tool that will impact a huge range of areas and with a wide range of applications that include the potential to disrupt and even to harm. In addition the use of AI could be a significant disrupter to business processes and whole companies leading to added uncertainty in corporate valuations.</p>	<p>The Board will work with the Manager to monitor developments concerning AI as its use evolves and consider how it might threaten the Company's activities, which may, for example, include a heightened threat to cybersecurity. The Board will work closely with the Manager in identifying these threats and, in addition, monitor the strategies of our service providers. Furthermore, the Company's investment process includes consideration of technological advancement and the resultant potential to disrupt both individual companies and the wider markets.</p>

## Long Term Viability

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

The Company's current position and prospects are set out in the Chairman's Statement, the Investment Manager's Report and the Strategic Report. The principal and emerging risks are set out on pages 33 to 36.

The Company is an investment trust that has been in existence for more than 20 years, having invested resolutely through many difficult economic and market cycles, and heightened market volatility caused by factors like geopolitical uncertainties. Its objective is to achieve long-term capital growth through investment in small-sized and medium-sized Japanese companies. The Board is cognisant of current market uncertainties and its impact on Japan and the global economy and the prospects for many of the Company's portfolio holdings. Notwithstanding this, the Board has taken account of the Company's current position, the principal and emerging risks that it faces and their potential impact on its future development and prospects, and the mitigation measures which key service providers, including the Manager, have in place to maintain operational resilience and business continuity, and the Board expects the Company to continue for the foreseeable future and has conducted its assessment for a period of five years. The Board regularly monitors the financial position of the Company, including the possible impact of negative market movements on cash flows and the liquidity of the portfolio. Scenario stress testing is considered when the Board considers the viability of the Company. The methods used are:

- i. Loan and revolving credit facility covenants stress testing;
- ii. Stress testing the portfolio valuation; and
- iii. Stress testing forecast revenue as well as the impact of the dividend policy.

As an investment company with a relatively liquid equity portfolio being capable of being realised fairly quickly and largely fixed ongoing charges which equate to a very small proportion of net assets, it should easily be able to meet its ongoing operating costs as they fall due. The Directors have assessed the prospects of the Company, to the extent that they are able to do so, over the next five years. They have made that assessment by considering the principal and emerging risks, the Company's investment objective and strategy, the investment capabilities of the Manager and the current outlook for the Japanese economy and equity market.

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

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

By order of the Board

**Divya Amin**, for and on behalf of JPMorgan Funds Limited  
Secretary

20th June 2024



## Duty to Promote the Success of the Company

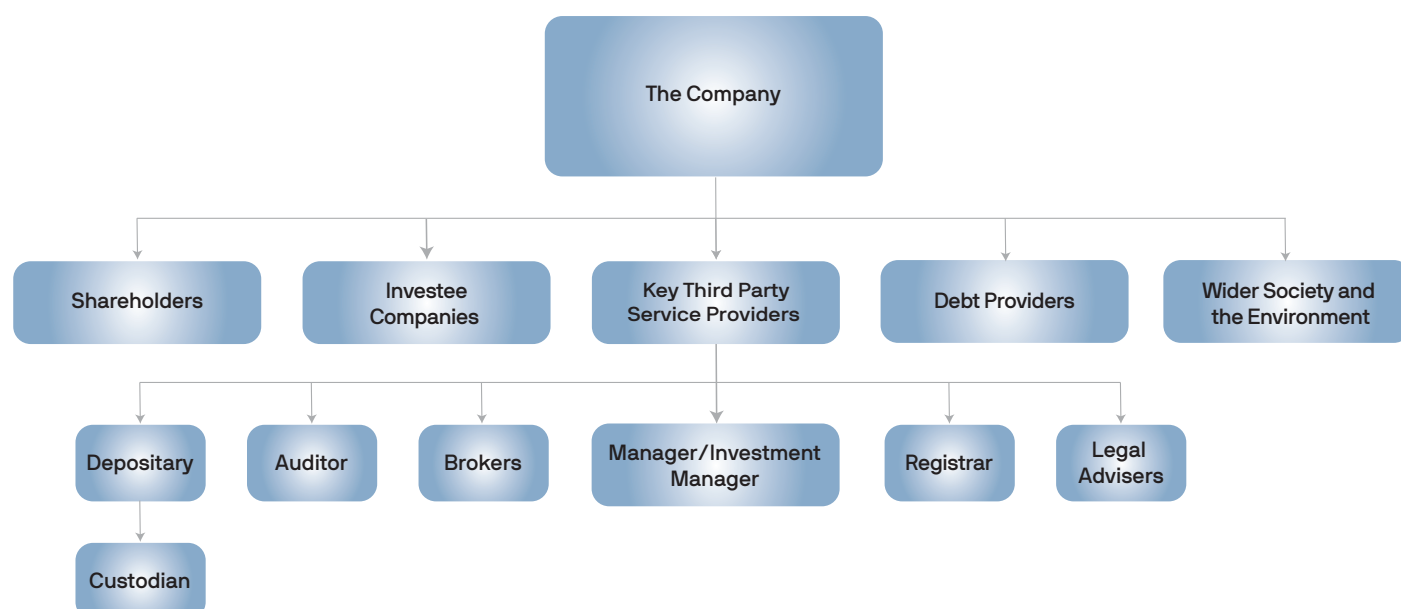
Section 172 of the Companies Act 2006 ('Companies Act') states that: A Director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the following six items.

<b>The likely consequences of any decision in the long term;</b>	In managing the Company, the aim of the Board and of the Manager is always to ensure the long-term sustainable success of the Company and, therefore, the likely long-term consequences of any decision are a key consideration. In managing the Company during the year under review, we acted in the way which we considered, in good faith, would be most likely to promote the Company's long-term sustainable success and to achieve its wider objectives for the benefit of our shareholders as a whole, having had regard to our wider stakeholders and the other matters set out in section 172 of the Companies Act.
<b>The interests of the Company's employees;</b>	The Company does not have any employees.
<b>The need to foster the Company's business relationships with suppliers, customers and others;</b>	The Board's approach is described under 'Stakeholders' below.
<b>The impact of the Company's operations on the community and the environment;</b>	The Board takes a close interest in ESG issues and sets the overall strategy. The Manager has integrated ESG considerations into the Company's investment process. Further details are set out in the Company's ESG report on pages 17 to 22.
<b>The desirability of the Company maintaining a reputation for high standards of business conduct; and</b>	The Board's approach is described under The Company's Purpose, Values, Strategy and Culture on page 28.
<b>The need to act fairly as between members of the Company.</b>	The Board's approach is described under 'Stakeholders' on the next page.

The Board's philosophy is that the Company should foster a culture where all parties are treated fairly and with respect and the Board recognises the importance of keeping the interests of the Company's stakeholders, and of acting fairly between them, at the forefront of its key decision making.

### Key Stakeholders

The Board has identified the following as its key stakeholders:



The Board believes the best interests of the Company are aligned with those of these key stakeholders as all parties wish to see and ultimately benefit from the Company achieving its investment objectives, whilst carrying on business in compliance with the highest possible regulatory, legal, ethical and commercial standards.

## Duty to Promote the Success of the Company

The table below sets out details of the Company's engagement with its stakeholders:

Stakeholder	Engagement during the year	Outcome - examples
<b>Shareholders</b>		
Continued shareholder support and engagement are critical to the continued existence of the Company and the successful delivery of its long-term strategy.	<p>The Company has a large number of shareholders, including professional and private investors.</p> <p>The Board is focused on fostering and maintaining good working relationships with shareholders and understanding the views of shareholders in order to incorporate them into the Board's strategic thinking and objectives.</p> <p>Over the years, the Company has developed various ways of engaging with its shareholders, in order to gain an understanding of their views. These include:</p> <p><i>Annual General Meeting</i> – The Company welcomes attendance from shareholders at AGMs. At the AGM, the Manager always delivers a presentation and all shareholders have an opportunity to meet the Directors and ask questions;</p> <p><i>Information from the Manager</i> – The Manager provides written reports with the annual and interim results, as well as monthly Factsheets which are available on the Company's website. Existing and potential new shareholders are also given the opportunity to engage with the Company's Portfolio Managers at in-person events and through virtual webinars hosted by the Investment Manager;</p> <p><i>Working with external partners</i> – The Board receives regular updates from its Corporate Broker on all aspects of shareholder communications and views;</p> <p><i>Feedback from shareholders</i> – The Board values the feedback and questions that it receives from shareholders and takes note of individual shareholders' views in arriving at decisions which are taken in the best interests of the Company and of shareholders as a whole. The Chair meets major shareholders and welcomes enquiries and feedback from all shareholders.</p> <p>The Chair or any other member of the Board can be contacted via the Corporate Broker, which is independent of the Manager.</p>	<p>The Company's Portfolio Manager, Miyako Urabe completed a programme of in-person marketing and investor engagements when she visited the UK in June 2023. On some occasions the engagements have been in the attendance of the Directors, allowing shareholders direct contact to the Board and the Portfolio Manager. Furthermore, during the financial period, the Chair and the Chair of the Audit and Risk Committee held meetings with major shareholders to ascertain its views and feedback on the Company.</p>

## Duty to Promote the Success of the Company

Stakeholder	Engagement during the year	Outcome - examples
<b>Manager</b>		
The Manager's performance, in particular that of the investment management team who are responsible for managing the Company's portfolio, is fundamental to the long term success of the Company and its ability to deliver its investment strategy and meet its objective. The Manager also provides administrative support and promotes the Company through its investment trust sales and marketing team.	Maintaining a close and constructive working relationship with the Manager is crucial as the Board and the Manager aim to continue to achieve long-term returns in line with the Company's investment objective. The Board monitors the Company's investment performance at each Board meeting. It also maintains strong lines of communication with the Manager via its dedicated Company Secretary and Client Director whose interactions extend well beyond the formal business of board meetings. This enables the Board to remain regularly informed of the views of the Manager and the Company's shareholders (and vice versa).	Since the changes to the investment management team in 2022, the Board has been closely working with, and where applicable, providing constructive challenge to the current portfolio managers, Miyako Urabe and Xuming Tao. It has been pleasing to the Board to see Miyako and Xuming's appetite and enthusiasm for achieving the goals and ambitions for the Company.
<b>Investee companies</b>		
The performance of investee companies in the portfolio is important to the delivery of Company's strategy and returns. The Board is committed to responsible investment and monitors the activities of investee companies through its delegation to the Manager.	<p>The Manager, on behalf of the Company, engages with investee companies, including on ESG matters including governance and exercises its votes at company meetings. Details of the Manager's voting policy can be found on page 51.</p> <p>The Board monitors investments made and divested. It also challenges the Manager's rationale for the exposures taken and voting decisions made.</p>	The Company actively votes at investee company meetings. Details of the voting undertaken during the year can be found on page 21.
<b>Other service providers</b>		
The Company has engaged key service providers, each of which provides a vital service to the Company to promote its success and ultimately to its shareholders. While all service providers are important to the operations of the Company, in this context the key service providers are the Custodian, Depositary, Auditor, Corporate Broker and Registrar. These service providers are considered to have appropriate capability, performance records, resources and controls in place to deliver the services that the Company requires for support in meeting relevant obligations and safeguarding the Company's assets.	<p>The Board maintains regular contact with its key external service providers, either directly, or via its dedicated Company Secretary or Client Director, and receives regular reporting from these providers at Board and Committee meetings.</p> <p>The Board annually review and appraise its key service providers, including performance, level of service and cost. Each provider is an established business and each is required to have in place suitable policies to ensure that they maintain high standards of business conduct, treat customers fairly, and employ corporate governance best practice.</p>	During the year, the Board reviewed the performance of each of the Company's key third party service providers in delivering the agreed contractual services to the Company. On behalf of the Company, the Investment Manager carried out a Request for Proposal ('RFP') process for Registrar services. Following the RFP, the Board resolved to appoint Computershare Investor Services Plc as the Company's new Registrar.

## Duty to Promote the Success of the Company

Stakeholder	Engagement during the year	Outcome - examples
<b>Wider Society and the Environment</b>		
Whilst strong long term investment performance is essential for an investment trust, the Board recognises that to provide an investment vehicle that is maintainable over the long term, both it and the Manager must have regard to ethical and environmental issues that impact society.	Financially material ESG considerations are integrated into the Manager's investment process and this will continue to evolve. Further details of the Manager's integrated approach to ESG can be found on pages 17 to 22.	The Company's ESG Report can be found on pages 17 to 22.

### Key Decisions and Actions

#### Principal decisions

Principal decisions have been defined as those that have a material impact to the Company and its key stakeholders.

In taking these decisions, the Directors considered their duties under section 172 of the Companies Act.

Some of the principal decisions and actions during the year where the Board has considered its stakeholders in pursuit of the success of the company and the promotion of that success for the long term with regard to its section 172 duty include:

#### Dividends Payable to Shareholders

The Company's dividend policy aims to pay, in the absence of unforeseen circumstances, a regular quarterly dividend equal to 1% of the Company's NAV on the last business day of the preceding financial quarter, being the end of March, June, September and December. Over the year this would approximate to 4% of the average NAV. This dividend is paid from a combination of the other reserves. In respect of the year to 31st March 2024, quarterly dividends totalling 14.2p (2023: 14.2p) per share were declared.

#### Revised Management Fee Arrangement

With effect from 1st April 2024, following due consideration of the Board's review of the competitiveness of the investment management fees, the Company's Manager reduced its fees. The revised fees payable to the Manager is now charged at the rate of 0.85% (previously 1%) per annum on the net asset value of the Company's portfolio up to £150 million, and at the rate of 0.75% thereafter.

#### Managing the Company's Discount and Share Buybacks

The Board monitors the Company's share price discount to NAV closely with its advisers. Very few investment trusts, regardless of performance, asset class or investment approach, have been immune from discount volatility. Given the prolonged period of discount widening and the Board's conviction that the current discount to NAV is unwarranted, in October 2023, the Board decided to resume share buybacks for the first time since March 2018. During the period under review, 166,117 shares were repurchased into Treasury.

#### Change of Registrar

As part of its review of its key service providers, the Company, through its Investment Manager, undertook a review of its Registrar, which has been engaged by the Company for a number of years. After a thorough review and due diligence process by the Investment Manager, and after careful consideration, the Board has resolved to move the Company's registrar services from Equiniti Limited ('Equiniti') to Computershare Investor Service Plc ('Computershare') as it believes this to be in the best interest of shareholders.

#### Stock Lending

During the year the Board resolved to engage in a stock lending programme, subject to agreement of contract. The decision was made following an evaluation of the benefits which is split into lender's benefit and financial market benefits.

## Duty to Promote the Success of the Company

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### Other Actions that Continue to Promote the Success of the Company

In addition, the Directors have kept under review the Company's operating costs; continued to hold the Investment Manager to account on investment performance; undertaken a robust review of the principal and emerging risks faced by the Company; and continued to encourage the Investment Manager and the Broker to enhance its sales, marketing and PR efforts. Furthermore, the Board has been in regular contact with the Manager, receiving frequent updates on the operational effectiveness of the Investment Manager and key service providers and on areas such as portfolio activity with an enhanced ongoing focus on matters, such as, ESG and portfolio liquidity.





## Board of Directors



**Alexa Henderson\*\*** (Chair of the Board of Directors)

A Director since 2016.

**Last reappointed to the Board: 2023.**

Alexa Henderson has over 30 years' experience in finance, accounting and audit having worked with KPMG, Arthur Andersen and Deutsche Bank (WM Company). Ms Henderson is currently Non-Executive Director of abrdn UK Smaller Companies Growth Trust plc, CT Property Trust Limited and WAM Leaders. She holds a BSc in Economics and Accounting from Edinburgh University and is a Chartered Accountant.

**Shared directorships with other Directors: None.**

**Shareholding in Company: 9,265.**



**Tom Walker\*\*** (Chair of the Audit Committee)

A Director since 2019.

**Last reappointed to the Board: 2023.**

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

**Shared directorships with other Directors: None.**

**Shareholding in Company: 22,000.**



**Deborah Guthrie\*\***

A Director since 2015.

**Last reappointed to the Board: 2023.**

Deborah Guthrie, an experienced Japanese equity research sales specialist, is currently working as a consultant to Pelham Smithers Associates, for whom she worked full-time in yen equity sales between 2021 and 2022. Ms Guthrie began her career working in the Finance and Environment Branches of the Hong Kong Government. Between 1984 and 1995 she held senior Japanese equity sales roles for Hoare Govett and Smith New Court before joining Merrill Lynch as director, yen equity sales, a role she held from 1995 to 2011. Ms Guthrie was previously a Non-Executive Director of abrdn Asia Focus plc.

**Shared directorships with other Directors: None.**

**Shareholding in Company: 14,610.**



**Martin Shenfield\*\***

A Director since 2019.

**Last reappointed to the Board: 2023.**

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

**Shared directorships with other Directors: None.**

**Shareholding in Company: 8,000.**

\* Member of the Audit Committee. † Member of the Nomination Committee.

## Directors' Report

The Directors present their report and the audited financial statements for the year ended 31st March 2024.

### Management of the Company

The Manager of and Company Secretary to the Company is JPMF. Active management of the Company's assets is delegated to JPMAM Japan through JPMAM UK. The functions of the Company Secretary and the Portfolio Managers are completely separate, and therefore, the Board is satisfied that the Company Secretary is able to act independently of the Manager.

The Manager and Company Secretary are employed under a contract terminable on six months' notice, without penalty. If the Company wishes to terminate the contract on shorter notice, the balance of remuneration is payable by way of compensation.

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

The Board conducts a formal evaluation of the performance of, and contractual relationship with, the Manager on an annual basis. Part of this evaluation includes a consideration of the management fees and whether the service received represents value for money for shareholders. No separate Management Engagement Committee has been established because all Directors are considered to be independent of the Manager and, given the nature of the Company's business, it is felt that all Directors should take part in the review process. The Board has thoroughly reviewed the performance of the Manager during the course of the year. The review covered the performance over the long term of the Manager, its management processes, consideration of the investment strategy, resources and risk controls and the quality of support that the Company received, including the marketing support provided. The evaluation was carried out in February 2024. As a result of that process, the Board confirms that it is satisfied that the continuing appointment of the Manager and the Company Secretary is in the interests of shareholders as a whole.

### The Alternative Investment Fund Managers Directive ('AIFMD')

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

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the

annual report of each AIF. An Investor Disclosure Document, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and other shareholder information is available on the Company's website at [www.ipmjapansmallcapgrowthandincome.co.uk](http://www.ipmjapansmallcapgrowthandincome.co.uk). There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange through a primary information provider.

JPMF's remuneration disclosures are set out on page 90.

### Management Fee

With effect from 1st April 2024, the investment management fee was changed to be charged at the rate of 0.85% (previously 1%) per annum on the net asset value of the Company's portfolio up to £150 million and at the rate of 0.75% thereof.

The fee is calculated and paid monthly.

### Directors

The Directors of the Company who held office at the year end are detailed on page 44. Details of their beneficial shareholdings may be found in the Directors' Remuneration Report on page 57.

In accordance with corporate governance best practice, all Directors will retire at the Company's forthcoming AGM and, being eligible, will, with the exception of Deborah Guthrie, offer themselves for reappointment by shareholders.

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

### Director Indemnification and Insurance

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

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

## Directors' Report

### Disclosure of Information to Auditors

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

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

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

### Independent Auditor

Johnston Carmichael LLP, auditor to the Company, appointed on 10th December 2021, has expressed their willingness to continue in office as the Auditor to the Company and a resolution proposing their reappointment and authorising the Directors to determine their remuneration for the ensuing year will be put to shareholders at the AGM.

### Capital Structure and Voting Rights

#### Capital Structure

At 31st March 2024, the Company's share capital comprised 55,944,560 Ordinary shares of 10p each, of which 1,600,338 were held in Treasury. The Ordinary shares have a premium listing on the London Stock Exchange.

#### Voting Rights in the Company's Shares

Details of the voting rights in the Company's shares as at the date of this report are given in note 16 to the Notice of Meeting on page 95.

#### Notifiable Interests in the Company's Voting Rights

As at 31st March 2024, the following had declared a notifiable interest in the Company's voting rights.

This information was correct at the date of notification. It should be noted that these holdings may have changed since notified to the Company and may not therefore be wholly accurate statements of actual holdings as at 31st March 2024. However, notification of any change is not required until the next applicable threshold is crossed:

Shareholders	Number of voting rights	% voting rights <sup>1</sup>
City of London Investment Management Company Limited	9,790,267	18.02
Lazard Asset Management LLC	6,362,669	11.70

<sup>1</sup> At the time of announcement.

Subsequent to the financial year end, City of London Investment Management Company Limited notified the Company that it had increased its holding to 23.09%. No other changes have been notified.

### Miscellaneous Information

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

Information about the Company's financial instruments, the risk management objectives and the policies arising from them and the exposure of the Company to risk are disclosed in note 20 on pages 82 to 87.

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

Regarding future developments of the Company, the outlook for the next 12 months is set out in the Chairman's Statement on pages 8 to 10 and the Investment Manager's Report on pages 11 to 16.

### Listing Rule 9.8.4R

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

### Annual General Meeting

The notice convening the AGM of the Company to be held on 25th July 2024 is given on pages 92 to 95. The full text of the Resolutions is set out in the notice of meeting. Among the Resolutions being proposed are the following:

#### (i) Dividend policy (Resolution 4)

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

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



## Corporate Governance Statement

### (ii) Authority to allot new Ordinary shares and to disapply statutory pre-emption rights (Resolutions 9 and 10)

The Directors will seek renewal of the authority at the AGM to issue new Ordinary shares for cash, or reissue Ordinary shares from Treasury, up to an aggregate nominal amount of £541,691, such amount being equivalent to approximately 10% of the present issued Ordinary share capital (excluding Treasury shares) as at the last practicable date before the publication of this document or, if different, the number of Ordinary shares which is equal to 10% of the Company's issued share capital (excluding Treasury shares) as at the date of the passing of the Resolution. This authority will expire at the conclusion of the AGM of the Company in 2025 unless renewed at a prior general meeting.

Resolution 10 will enable the allotment of Ordinary shares otherwise than by way of a pro rata issue to existing shareholders.

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

### (iii) Authority to repurchase the Company's shares (Resolution 11)

The authority to repurchase up to 14.99% of the Company's issued Ordinary shares, granted by shareholders at the 2023 AGM, will expire on 27th January 2025 unless renewed at the forthcoming AGM. The Directors consider that the renewal of this authority is in the interests of shareholders as a whole, as the repurchase of Ordinary shares at a discount to the underlying NAV enhances the NAV of the remaining Ordinary shares.

Resolution 11 gives the Company authority to repurchase its own issued Ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to a maximum of 8,119,962 of the Company's issued Ordinary shares (excluding Treasury shares) as at the latest practicable date before the publication of this document or, if different, the number of Ordinary shares which is equal to approximately 14.99% of the Company's issued Ordinary share capital (excluding Treasury

shares) as at the date of the passing of the Resolution. The authority also sets minimum and maximum prices.

If Resolution 11 is passed at the AGM, the Board may repurchase shares for cancellation or hold them in Treasury pursuant to the authority granted to it for possible reissue at a premium to NAV. Repurchases will be made at the discretion of the Board and will only be made in the market at prices below the prevailing NAV per share, thereby enhancing the NAV of the remaining Ordinary shares. This authority will expire on 25th January 2026, or when the whole of the relevant 14.99% has been acquired, whichever is the earlier. However it is the Board's intention to seek renewal of the authority at the 2025 AGM.

## Recommendation

The Board considers that the Resolutions to be proposed at the AGM are likely to promote the success of the Company, and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the Resolutions as they intend to do, where voting rights are exercisable, in respect of their own beneficial holdings which, as at the date of this report, amounted in aggregate to 53,875 Ordinary shares with voting rights representing approximately 0.1% of the voting rights of the Company.

## Corporate Governance Statement

### Compliance

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

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

Copies of the UK Code and the AIC Code may be found on the respective organisations' websites: [www.frc.org.uk](http://www.frc.org.uk) and [www.theaic.co.uk](http://www.theaic.co.uk).

## Corporate Governance Statement

### Role of the Board

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

At each Board meeting, Directors' interests are considered. These are reviewed carefully, taking into account the circumstances surrounding them, and, if considered appropriate, are approved. It was resolved that there were no actual or indirect interests of a Director which conflicted with the interests of the Company which arose during the year.

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

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

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

### Board Composition

The Board, chaired by Alexa Henderson, comprises four non-executive Directors, all of whom, including the Chair, are regarded by the Board as independent of the Manager. The Directors have a breadth of investment knowledge, business and financial skills and experience relevant to the Company's business and brief biographical details of each Director are set out on page 44.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below. The Board has considered whether a Senior Independent Director should be appointed and has concluded that, due to the Company's nature of business as an investment trust and because the Board is comprised entirely of non-executive Directors, this is unnecessary at present. However, the Chair of the Audit

Committee leads the evaluation of the Chair and may be contacted by shareholders if they have concerns that cannot be resolved through discussions with the Chair.

It is acknowledged that Deborah Guthrie will retire at the conclusion of the Company's AGM on 25th July 2024. The Board has commenced the search for a new Non-Executive Director.

### Reappointment of Directors

The skills and experience that each Director brings to the Board, and hence why their contributions are important to the long term success of the Company, are summarised below. All of the Directors held office throughout the year under review and will, with the exception of Deborah Guthrie, stand for reappointment at the forthcoming AGM.

Resolution 5 is for the reappointment of Alexa Henderson, who joined the Board in April 2016. Alexa is a qualified chartered accountant. She is also on the board of abrdn UK Smaller Companies Growth Trust plc, CT Property Trust Limited and WAM Leaders. Alexa was formerly a Managing Director of the WM company.

Resolution 6 is for the reappointment of Martin Shenfield, who joined the Board in July 2019. Martin has over 35 years' international fund management experience including overseeing global asset allocation and holding CIO roles. He has also in the past inter alia managed various Japanese equity funds and mandates. Previously he has established and launched several listed closed-end funds as well as acting as a non-executive director of investment companies.

Resolution 7 is for the reappointment of Tom Walker, who joined the Board in July 2019. Tom is a qualified chartered accountant. He spent his executive career in asset management where he was an investment manager for over 30 years with responsibility for funds including a number of investment trusts. He is a non-executive director of one other investment trust company.

### Tenure

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



## Corporate Governance Statement

In accordance with corporate governance best practice, all Directors will seek annual reappointment. The Board recommends to Shareholders that all Directors be reappointed. The Company has a succession policy and plan in place.

The table below details the tenure of Directors as at the forthcoming AGM and projected forward to 2029. The average tenure of a Director is fewer than six years.

	2024	2025	2026	2027	2028	2029
Deborah Guthrie						
Alexa Henderson						
Thomas Walker						
Martin Shenfield						

**Key - Tenure**  
● 0 – 6 years    ● 7 – 8 years    ● 9+ years

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

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and at the AGM.

A schedule of interests (including time commitments) for each Director is maintained by the Company and reviewed at every Board meeting. New interests are considered carefully, taking into account the circumstances surrounding them and, if considered appropriate, are approved.

In noting Deborah Guthrie's retirement from the Board at the conclusion of the AGM on 25th July 2024, the recruitment process for a new Non-Executive Director is underway.

### Induction and Training

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

### Meetings and Committees

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

The table below details the number of formal Board and Committee meetings attended by each Director. During the year there were five Board meetings, which included a private session of the Directors to evaluate the Manager, three Audit Committee meetings and one Nomination Committee meeting. These meetings were supplemented by additional

meetings held to cover procedural matters and formal approvals. In addition, there was a Board strategy meeting and regular contact between the Directors, the Manager and the Company Secretary throughout the year.

### Meetings Attended

Director	Board	Audit Committee	Nomination Committee
<b>Current Directors</b>			
Alexa Henderson	5/5	3/3	1/1
Deborah Guthrie	5/5	3/3	1/1
Yuuichiro Nakajima <sup>1</sup>	2/3	0/1	0/0
Thomas Walker	5/5	3/3	1/1
Martin Shenfield	5/5	3/3	1/1

<sup>1</sup> Retired from the Board at the conclusion of the AGM on 27th July 2023.

### Board Committees

#### Nomination Committee

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

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

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

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

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

## Corporate Governance Statement

### Audit Committee

The report of the Audit Committee is set out on pages 53 and 54.

### Terms of Reference

The Nomination Committee and the Audit Committee have written terms of reference which define clearly their respective responsibilities, copies of which are available on the Company's website and for inspection on request at the Company's registered office and at the Company's AGM.

### Relations with Shareholders

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

All shareholders are encouraged to attend the Company's AGM at which the Directors and representatives of the Managers are available in person to meet with shareholders and answer their questions. In addition, a presentation is given by the Investment Managers, which includes a review of the Company's performance.

During the year, the Company's brokers, the Investment Managers and JPMF hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chair and Directors make themselves available as and when required to support these meetings and to address shareholder queries and consult major shareholders on an annual basis. The Directors may be contacted through the Company Secretary whose details are shown on page 101. Questions can also be raised through the link on the Company's website [www.jpmmjapangrowthandincome.co.uk](http://www.jpmmjapangrowthandincome.co.uk).

The Company's Annual Report and Financial Statements are published in time to give shareholders at least 20 working days' notice of the AGM. Shareholders wishing to raise questions in advance of the meeting are encouraged to do so via the Company's website or write to the Company Secretary at the address shown on page 101.

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

### Risk Management and Internal Control

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

has identified as including business, financial, operational, compliance and risk management.

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

Since investment management, custody of assets and all administrative services are provided to the Company by the Manager and its associates, the Company's system of risk management and internal controls mainly comprises monitoring the services provided by the Manager and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company (see Principal and Emerging Risks on pages 33 to 36). This process has been in place for the year under review and up to the date of the approval of the Annual Report and Financial Statements and it accords with the Financial Reporting Council's guidance.

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

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

- **Financial Reporting**

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

- **Management**

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

- **Management Systems**

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

## Corporate Governance Statement

### ● Investment Strategy

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

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

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

By means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of risk management and internal controls for the year ended 31st March 2024 and to the date of approval of this Annual Report and Financial Statements.

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

### Corporate Governance and Voting Policy

The Company delegates responsibility for voting to the Manager. The following is a summary of the policy statements of JPMAM UK on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board. Details on employees, social, community, environmental, human rights issues and greenhouse gas emissions are included in the Strategic Report on pages 31 and 32.

### Corporate Governance

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

### Proxy Voting

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

### Stewardship/Engagement

*JPMAM believes effective investment stewardship can materially contribute to helping build stronger portfolios over the long term for our clients. At the heart of JPMAM's approach lies a close collaboration between our portfolio managers, research analysts and investment stewardship specialists to engage with the companies in which JPMAM invests. Regular engagement with JPMAM's investee companies through investment-led stewardship has been a vital component of JPMAM's active management heritage.*

*JPMAM continues to exercise active ownership through regular and ad hoc meetings, and through its voting responsibilities.*

*JPMAM's formal stewardship structure is designed to identify risks and understand its portfolio companies' activities, in order to enhance value and mitigate risks associated with them. JPMAM has identified five main investment stewardship priorities it believes have universal applicability and will stand the test of time:*

- governance;
- strategy alignment with the long term;
- human capital management;
- stakeholder engagement; and
- climate risk

*Within each priority area, JPMAM identified related themes it is seeking to address over a shorter time frame. These themes will evolve as JPMAM engages with companies to understand issues and promote best practice. This combination of long-term priorities and evolving, shorter-term themes provides JPMAM with a structured and targeted framework to guide its investors and investment stewardship teams globally as JPMAM engages with investee companies around the world.*

*JPMAM is also committed to reporting more widely on our activities, including working to meet the practices laid out by the Financial Reporting Council ('FRC') in the UK Stewardship Code, to which JPMAM is a signatory.*

*JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website:*

<https://am.jpmorgan.com/gb/en/asset-management/institutional/about-us/investment-stewardship/>

## Corporate Governance Statement

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### Japanese Stewardship and Corporate Governance Codes

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

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

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

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

20th June 2024

## Audit Committee Report

### Role and Composition

The Audit Committee, chaired by Tom Walker, comprises all Directors and meets at least three times a year. The members of the Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. At least one member of the Committee has recent and relevant financial experience and the committee as a whole has competency relevant to the sector in which the Company operates. Alexa Henderson is a member of the Committee, which benefits from her valuable contributions drawing on her extensive knowledge and experience. This is permitted under the AIC Code as the Board Chair was deemed to be independent on appointment.

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

### Financial Statements and Significant Accounting Matters

During its review of the Company's financial statements for the year ended 31st March 2024, the Committee considered the following significant issues, including those communicated by the Auditor during its reporting:

Significant issue	How the issue was addressed
Valuation, existence and ownership of investments	In accordance with the accounting policies, disclosed in note 1(b) to the financial statements on page 73. Controls were in place to ensure that valuations were appropriate and existence and ownership were verified through the Depositary and the Custodian reconciliations. The Board and the Committee monitors controls and significant movements in the underlying portfolio by reviewing reports regularly in Board and Committee Meetings.
Recognition and completeness of investment income	The recognition of investment income was undertaken in accordance with accounting policy note 1(d) to the financial statements on page 74. The Board and the Committee regularly reviewed subjective elements of income such as special dividends and agreed their accounting treatment.
Compliance with Sections 1158 and 1159 of the Corporation Tax Act 2010	Approval for the Company as an investment trust under Sections 1158 and 1159 for financial years commencing on or after 1st April 2012 was obtained and ongoing compliance with the eligibility criteria was monitored on a regular basis.

### Auditor Appointment and Tenure

The Audit Committee has the primary responsibility for making recommendations to the Board on the reappointment and removal of external auditors. As part of its review of the continuing appointment of the Auditor, the Audit Committee considers the length of tenure of the audit firm, its fees, its independence from the Alternative Investment Fund Manager and the Investment Managers and any matters raised during the audit. Having reviewed the performance of the external Auditor, including the quality of work, timing of communications and work with the Manager, the Committee considered it appropriate to recommend their reappointment. The Board supported this recommendation which will be put to shareholders at the forthcoming AGM.

Johnston Carmichael LLP has audited the Company's financial statements since 31st March 2022. In accordance with present professional guidelines the Audit Partner will be rotated after no more than five years. The current year is the second year for which Richard Sutherland is serving as the Audit Partner. Details of the fees paid for audit services are included in note 6 on page 76.

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

### Going Concern

The Directors believe that, having considered the Company's investment objective (see inside front cover), risk management policies (see pages 82 to 87), liquidity risk, capital management policies and procedures (see page 87), investment restrictions and guidelines (pages 28 and 29), the nature of the portfolio, the Company's principal and emerging risks (pages 33 to 36) and expenditure and cashflow projections, the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the financial statements. They have not identified any material uncertainties to the Company's ability to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements.

Having taken all available information into consideration and having discussed the contents of the Annual Report and Financial Statements with the AIFM, the Investment Managers, the Company Secretary and other third party service providers, the Committee has concluded that the Annual Report for the year ended 31st March 2024, taken as a whole, is fair, balanced and understandable and provides



## Audit Committee Report

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the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 60.

### Risk Management and Internal Control

The Committee examines the effectiveness of the Company's internal controls systems and receives information from the Managers' Compliance department. The Directors' statement on the Company's system of risk management and internal controls is set out on pages 50 and 51.

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

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

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

The Directors' statement on the Company's system of internal control is set out on page 50.

### Fair, Balanced and Understandable

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31st March 2024, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 60.

By order of the Board

**Divya Amin**, for and on behalf of  
JPMorgan Funds Limited, Secretary.

20th June 2024







## Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the year ended 31st March 2024, which has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 as amended.

The law requires the Company's Auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in its report on pages 62 to 68.

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

### Directors' Remuneration Policy

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

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

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

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

to Directors, other than the reimbursement of reasonable out of-pocket expenses incurred in attending the Company's business.

In the year under review, Directors' fees were paid at the following annual rates: Chair £40,000; Chair of the Audit Committee £32,500; and other Directors £27,500. With effect from 1st April 2024, Directors' annual fees have been revised to the following annual rates: Chair £42,000; Chair of the Audit Committee £34,000; and, other Directors £29,000.

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

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

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for review at the Company's AGM and the Company's registered office. Details of the Board's policy on tenure are set out on page 48.

### Directors' Remuneration Policy Implementation

The Directors' Remuneration Report, which includes details of the Directors' remuneration policy and its implementation, is subject to an annual advisory vote and therefore an ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM. There have been no changes to the policy compared with the year ended 31st March 2024 and no changes are proposed for the year ending 31st March 2025.

At the AGM held on 27th July 2023, of votes cast in respect of the Remuneration Policy, 99.63% of votes cast were in favour (or granted discretion to the Chair who voted in favour) and 0.37% voted against. Abstentions were received from less than 0.1% of the votes cast. In respect of the Remuneration Report 99.63% of votes cast were in favour (or granted discretion to the Chair who voted in favour) and 0.37% voted against. Abstentions were received from less than 0.1% of the votes cast.

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

### Single Total Figure of Remuneration

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

## Directors' Remuneration Report

Single Total Figure Table (Audited)<sup>1</sup>

Directors' Name	Fees £	2024 Taxable expenses <sup>2</sup> £	Total £	Fees £	2023 Taxable expenses <sup>2</sup> £	Total £
Deborah Guthrie	27,500	—	27,500	26,500	—	26,500
Alexa Henderson	40,000	2,091	42,091	39,000	1,320	40,320
Yuuichiro Nakajima <sup>3</sup>	8,893	—	8,893	26,500	117	26,617
Martin Shenfield	27,500	—	27,500	26,500	—	26,500
Tom Walker	32,500	1,438	33,938	31,500	1,464	32,964
<b>Total</b>	<b>136,393</b>	<b>3,529</b>	<b>139,921</b>	<b>150,000</b>	<b>2,901</b>	<b>152,901</b>

<sup>1</sup> Other subject headings for the single figure table as prescribed by regulation are not included because there is nothing to disclose in relation thereto. A total amount of £10,000 (2023: £11,000) was paid on Employer's National Insurance.

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

<sup>3</sup> Retired from the Board on 27th July 2023.

## Annual Percentage Change in Directors' Remuneration

The following table sets out the annual percentage change in Directors' fees:

Director	Percentage change for the year to 31st March 2024	Percentage change for the year to 31st March 2023	Percentage change for the year to 31st March 2022	Percentage change for the year to 31st March 2021
Deborah Guthrie	3.8%	1.9%	4.0%	0.0%
Alexa Henderson	2.6%	1.3%	2.7%	6.9%
Yuuichiro Nakajima <sup>1</sup>	n/a	1.9%	4.0%	0.0%
Martin Shenfield	3.8%	1.9%	4.0%	48.2%
Tom Walker	3.2%	1.6%	3.3%	48.2%

<sup>1</sup> Retired from the Board on 27th July 2023.

## Remuneration for the Chair over the Five Years Ended 31st March 2024

Year ended 31st March	Fees
2024	£40,000
2023	£39,000
2022	£38,500
2021	£37,500
2020	£37,500

Directors' Shareholdings (Audited)<sup>1</sup>

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

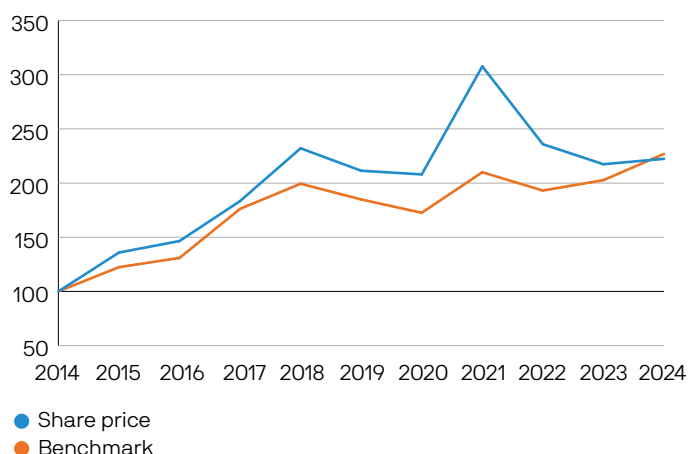
Directors' Name	31st March 2024	31st March 2023 or as at date of appointment
<b>Ordinary shares held</b>		
Deborah Guthrie	14,610	14,610
Alexa Henderson	9,265	9,265
Martin Shenfield	8,000	8,000
Tom Walker	22,000	11,000

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

## Directors' Remuneration Report

In accordance with the Companies Act 2006, a graph showing the Company's share price total return compared with its benchmark, the MSCI Japan Small Cap Index, over the last ten years is shown below. Although the Investment Managers do not track this Index, there is no formal benchmark that closely reflects the Company's stated investment policy, therefore this is considered the nearest match available. Also, it must be noted that in April 2021 the Company's benchmark changed from S&P Japan SmallCap Net Return, therefore, the new benchmark, MSCI Japan Small Cap Index has been applied retrospectively.

### Ten Year Ordinary Share Price and Benchmark Total Return to 31st March 2024 (rebased)



Source: Morningstar/Datastream.

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

### Relative Importance of Spend on Pay (Audited)

The following table compares the remuneration paid to the Directors with aggregate distributions to Shareholders in the year to 31st March 2024 and the prior year. This disclosure is a statutory requirement.

	Year ended 31st March		
	2024 £	2023 £	Change
Remuneration paid to all Directors	136,393	150,000	-9.1%
Taxable expenses paid to Directors	3,529	2,901	+21.6%
Distribution to shareholders			
— by way of dividend	7,733,000	7,958,000	-2.8%
— by way of share repurchases	508,000	—	n/a

For and on behalf of the Board

**Alexa Henderson**

Chair

20th June 2024







## Statement of Directors' Responsibilities

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

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

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

and the Directors confirm that they have done so.

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

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

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

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

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

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

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

For and on behalf of the Board

**Alexa Henderson**

Chair

20th June 2024





## Independent Auditor's Report

### To the members of JPMorgan Japan Small Cap Growth & Income plc

#### Opinion

We have audited the Financial Statements of JPMorgan Japan Small Cap Growth & Income plc ('the Company'), for the year ended 31st March 2024, which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, 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 31st March 2024 and of its net 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.

#### 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 JPMorgan Funds Limited (the 'Manager' and the 'Company Secretary'), JPMorgan Chase Bank, N.A. (as the 'Administrator' and 'Custodian') 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.

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.

# Independent Auditor's Report

Key Audit Matter	How our audit addressed the key audit matter and our conclusions
<p><b>Valuation and ownership of investments</b></p> <p>(as described on page 53 in the Audit Committee Report and as per the accounting policy on page 73 and note 11).</p> <p>At 31st March 2024 the valuation of the investment portfolio was £209.0 million (2023: £206.9 million) accounting for 106.1% of net assets (2023: 105.6%).</p> <p>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.</p> <p>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.</p> <p>Additionally, there is a risk that the Company does not have proper legal title to the investments recorded as held at year end.</p>	<p>We obtained and assessed controls reports provided by JPMorgan Chase Bank, N.A. (as administrator and custodian) to evaluate the design of the process and implementation of key controls.</p> <p>We compared market prices and exchange rates applied to all investments held at 31st March 2024 to an independent third-party source and recalculated the investment valuations.</p> <p>We obtained average trading volumes from an independent third-party source for all investments held at year end as evidence of the existence of active markets and to assess the investments' liquidity.</p> <p>We agreed the ownership of all investments held at year end to the independently received custodian report.</p> <p>From our completion of these procedures, we identified no material misstatements in relation to the valuation and ownership of the investments.</p>
<p><b>Revenue recognition, including allocation of special dividends as revenue or capital returns</b></p> <p>(as described on page 53 in the Audit Committee Report and as per the accounting policy on page 74 and note 4).</p> <p>Investment income recognised in the year to 31st March 2024 was £4.3 million (2023: £4.8 million), consisting of dividend income from investments.</p> <p>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.</p> <p>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.</p> <p>Additionally, there is a further 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.</p>	<p>We obtained and assessed controls reports provided by JPMorgan Chase Bank, N.A. (as administrator and custodian) to evaluate the design of the process and implementation of key controls.</p> <p>We confirmed that income was recognised and disclosed in accordance with the AIC SORP by assessing the accounting policies.</p> <p>We recalculated 100% of dividends due to the Company based on investment holdings throughout the year and announcements made by investee companies.</p> <p>We agreed a sample of dividends received to bank statements.</p> <p>We obtained a list of all special dividends received by the Company and management's judgement as to their allocation as revenue or capital returns. We used third-party independent data sources to assess the completeness of the special dividend population and determined whether all special dividends recognised were revenue or capital in nature with reference to the underlying circumstances of the investee companies' dividend payments.</p> <p>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.</p>



## Independent Auditor's Report

### 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** – 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.

£1,970,000  
(2023: £1,960,000)

**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.

£1,478,000  
(2023: £1,470,000)

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 75% of our overall Financial Statement materiality.

**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 revenue return before taxation and our Audit Committee Reporting Threshold.

£99,000  
(2023: £105,000)

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.

**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.

£99,000  
(2023: £98,000)

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

## Independent Auditor's Report

### Conclusions relating to going concern

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 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 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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the Financial Statements are authorised for issue.

In 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.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

### 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.

## Independent Auditor's 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 53 and 54;
- 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 page 37;
- The Directors' statement on fair, balanced and understandable set out on page 54;
- The Directors' statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 37;
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 33 to 36;
- The section of the annual report that describes the review of the effectiveness of risk management and internal control systems set out on page 50; and
- The section describing the work of the Audit Committee set out on pages 53 and 54.

### Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 60, the Directors are responsible for the preparation of the Financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial statements that are free from material misstatement, whether due to fraud or error. In preparing the Financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor 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 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.



## Independent Auditor's Report

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 (audit procedures performed in response to these risks are set out in the section on key audit matters above) and management override (procedures in response to this risk are included below).

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 unpredictability testing, 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 10th December 2021 to audit the Financial Statements for the year ended 31st March 2022 and subsequent financial periods. The period of our total uninterrupted engagement is three years, covering the years ended 31st March 2022 to 31st March 2024.

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

## Independent Auditor's Report

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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 behalf of Johnston Carmichael LLP

Statutory Auditor

Edinburgh, United Kingdom

20th June 2024







## Statement of Comprehensive Income

For the year ended 31st March

	Notes	2024			2023		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments held at fair value through profit or loss	3	—	6,064	6,064	—	(15,007)	(15,007)
Net foreign currency gains		—	1,833	1,833	—	619	619
Income from investments	4	4,218	71	4,289	4,736	41	4,777
Other interest receivable	4	5	—	5	3	—	3
<b>Gross return/(loss)</b>		<b>4,223</b>	<b>7,968</b>	<b>12,191</b>	<b>4,739</b>	<b>(14,347)</b>	<b>(9,608)</b>
Management fee	5	(1,811)	—	(1,811)	(1,856)	—	(1,856)
Other administrative expenses	6	(487)	—	(487)	(472)	—	(472)
<b>Net return/(loss) before finance costs and taxation</b>		<b>1,925</b>	<b>7,968</b>	<b>9,893</b>	<b>2,411</b>	<b>(14,347)</b>	<b>(11,936)</b>
Finance costs	7	(301)	—	(301)	(321)	—	(321)
<b>Net return/(loss) before taxation</b>		<b>1,624</b>	<b>7,968</b>	<b>9,592</b>	<b>2,090</b>	<b>(14,347)</b>	<b>(12,257)</b>
Taxation	8	(422)	—	(422)	(500)	—	(500)
<b>Net return/(loss) after taxation</b>		<b>1,202</b>	<b>7,968</b>	<b>9,170</b>	<b>1,590</b>	<b>(14,347)</b>	<b>(12,757)</b>
<b>Return/(loss) per share</b>	9	<b>2.21p</b>	<b>14.63p</b>	<b>16.84p</b>	<b>2.92p</b>	<b>(26.32)p</b>	<b>(23.40)p</b>

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

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

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

The notes on pages 73 to 88 form an integral part of these financial statements.

## Statement of Changes in Equity

	Notes	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve <sup>1,2</sup> £'000	Capital reserves <sup>2</sup> £'000	Revenue reserve <sup>2</sup> £'000	Total £'000
<b>At 31st March 2022</b>		<b>5,595</b>	<b>33,978</b>	<b>1,836</b>	<b>270,952</b>	<b>(84,760)</b>	<b>(10,864)</b>	<b>216,737</b>
Net (loss)/return		—	—	—	—	(14,347)	1,590	(12,757)
Dividends paid in the year	10	—	—	—	(7,958)	—	—	(7,958)
<b>At 31st March 2023</b>		<b>5,595</b>	<b>33,978</b>	<b>1,836</b>	<b>262,994</b>	<b>(99,107)</b>	<b>(9,274)</b>	<b>196,022</b>
Repurchase of shares into Treasury		—	—	—	—	(508)	—	(508)
Net return		—	—	—	—	7,968	1,202	9,170
Dividends paid in the year	10	—	—	—	(7,733)	—	—	(7,733)
<b>At 31st March 2024</b>		<b>5,595</b>	<b>33,978</b>	<b>1,836</b>	<b>255,261</b>	<b>(91,647)</b>	<b>(8,072)</b>	<b>196,951</b>

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

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

The notes on pages 73 to 88 form an integral part of financial statements.

## Statement of Financial Position

At 31st March

	Notes	2024 £'000	2023 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	11	209,011	206,931
<b>Current assets</b>	12		
Debtors		2,024	3,412
Cash and cash equivalents		3,083	7,446
		<b>5,107</b>	<b>10,858</b>
<b>Creditors:</b> amounts falling due within one year	13	(17,167)	(21,767)
<b>Net current liabilities</b>		<b>(12,060)</b>	<b>(10,909)</b>
<b>Total assets less current liabilities</b>		<b>196,951</b>	<b>196,022</b>
<b>Net assets</b>		<b>196,951</b>	<b>196,022</b>
<b>Capital and reserves</b>			
Called up share capital	14	5,595	5,595
Share premium	15	33,978	33,978
Other reserve	15	255,261	262,994
Capital redemption reserve	15	1,836	1,836
Capital reserves	15	(91,647)	(99,107)
Revenue reserve	15	(8,072)	(9,274)
<b>Total shareholders' funds</b>		<b>196,951</b>	<b>196,022</b>
<b>Net asset value per share</b>	16	<b>362.4p</b>	<b>359.6p</b>

The financial statements and notes on pages 70 to 88 were approved and authorised for issue by the Directors on 20th June 2024 and were signed on their behalf by:

**Alexa Henderson**

Director

The notes on pages 73 to 88 form an integral part of these financial statements.

**Company registration number: 3916716.**



## Statement of Cash Flows

For the year ended 31st March

	2024 £'000	2023 £'000
<b>Cash flows from operating activities</b>		
Net return/(loss) before finance costs and taxation	9,893	(11,936)
Adjustment for:		
Net (gains)/losses on investments held at fair value through profit or loss	(6,064)	15,007
Net foreign currency gains	(1,833)	(619)
Dividend income	(4,289)	(4,777)
Interest income	(5)	(3)
Realised (gain)/loss on foreign exchange transactions	(876)	25
Decrease in accrued income and other debtors	16	92
Decrease in accrued expenses	37	15
<b>Net cash outflow from operating activities before dividends, interest and tax</b>	<b>(3,121)</b>	<b>(2,196)</b>
Dividends received	4,451	4,396
Interest received	5	3
Overseas tax paid	(422)	(473)
<b>Net cash inflow from operating activities</b>	<b>913</b>	<b>1,730</b>
Purchases of investments	(70,208)	(46,467)
Sales of investments	73,473	55,328
<b>Net cash inflow from investing activities</b>	<b>3,265</b>	<b>8,861</b>
Dividends paid	(7,733)	(7,958)
Repurchase of shares into Treasury	(508)	—
Repayment of bank loan	—	(4,844)
Interest paid	(300)	(340)
<b>Net cash outflow from financing activities</b>	<b>(8,541)</b>	<b>(13,142)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(4,363)</b>	<b>(2,551)</b>
Cash and cash equivalents at start of year	7,446	10,143
Unrealised loss on foreign currency cash and cash equivalents	—	(146)
<b>Cash and cash equivalents at end of year</b>	<b>3,083</b>	<b>7,446</b>
Cash and cash equivalents consist of:		
Cash and short-term deposits	3,083	7,446
<b>Total</b>	<b>3,083</b>	<b>7,446</b>

The notes on pages 73 to 88 form an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 31st March 2024.

## 1. Accounting policies

### (a) Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include the revaluation of fixed asset investments which are recorded at fair value, in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in July 2022.

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

The financial statements have been prepared on a going concern basis. The disclosures on going concern on pages 53 and 54 of the Directors' Report form part of these financial statements.

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

### (b) Valuation of investments

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

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

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

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

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

### (c) Accounting for reserves

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

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

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

The share premium was cancelled in the period ended 31st March 2001 and redesignated as 'other reserve'. Dividend payments in excess of any amounts held within the Revenue reserve are paid out of the Other reserve.

Amounts received in excess of the par value of issued shares are held in Share premium.

Par value of shares repurchased and cancelled by the Company are transferred from Called up share capital to the Capital redemption reserve.

Net revenue return after taxation for the year is accounted for in the Revenue reserve.

# Notes to the Financial Statements

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## 1. Accounting policies (continued)

### (d) Income

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

Overseas dividends are included gross of any withholding tax.

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

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

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

### (e) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to the revenue except for expenses incidental to purchases and sales of investments which are written off to capital. These expenses are commonly referred to as transaction costs and comprise brokerage commission and stamp duty. Details of transaction costs are given in note 11 on page 79.

### (f) Finance costs

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

Finance costs are allocated wholly to revenue.

### (g) Financial instruments

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

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

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

### (h) Taxation

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

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

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

### (i) Value Added Tax ('VAT')

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

### (j) Functional and foreign currency

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

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

## Notes to the Financial Statements

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

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

### (k) Repurchase of shares to hold in Treasury

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

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

### (l) Dividends

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

## 2. Significant accounting judgements, estimates and assumptions

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

Except for the functional currency as noted in 1(j) above, the Directors do not believe that any accounting judgements or estimates have been applied to this set of financial statements, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

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

	2024 £'000	2023 £'000
Gains/(losses) of investments	6,070	(15,002)
Other capital charges	(6)	(5)
<b>Total gains/(losses) on investments held at fair value through profit or loss</b>	<b>6,064</b>	<b>(15,007)</b>

## 4. Income

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Income from investments</b>						
Overseas dividends	4,218	—	4,218	4,734	—	4,734
Special dividends	—	71	71	2	41	43
	<b>4,218</b>	<b>71</b>	<b>4,289</b>	<b>4,736</b>	<b>41</b>	<b>4,777</b>
<b>Other income:</b>						
Deposit Interest	5	—	5	3	—	3
<b>Total income</b>	<b>4,223</b>	<b>71</b>	<b>4,294</b>	<b>4,739</b>	<b>41</b>	<b>4,780</b>

## Notes to the Financial Statements

### 5. Management fee

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	1,811	—	1,811	1,856	—	1,856

Details of the management fee are given in the Directors' Report on page 45.

### 6. Other administrative expenses

	2024 £'000	2023 £'000
Administrative expenses	272	250
Directors' remuneration <sup>1</sup>	136	153
Fee payable to the Company's auditor for the audit of the Company's annual accounts <sup>2</sup>	38	33
Depository fee	31	25
Employer's National Insurance Contributions on Directors' remuneration	10	11
	<b>487</b>	<b>472</b>

<sup>1</sup> Full disclosure is given in the Directors' Remuneration Report on pages 56 to 58. Excludes taxable directors expenses which are included within administration expenses.

<sup>2</sup> Exclusive of VAT.

### 7. Finance costs

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest on bank loans and overdrafts	301	—	301	321	—	321

### 8. Taxation

#### (a) Analysis of tax charge for the year

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas withholding tax	422	—	422	500	—	500
<b>Total tax charge for the year</b>	<b>422</b>	<b>—</b>	<b>422</b>	<b>500</b>	<b>—</b>	<b>500</b>



## Notes to the Financial Statements

**(b) Factors affecting total tax charge for the year**

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

The UK corporation tax rate was 25% from 1st April 2023, giving an effective rate of 25% (2023: 19%). The tax assessed is higher (2023: higher) than that resulting from applying the effective standard rate of corporation tax in the UK. The difference is explained below.

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net return/(loss) before taxation	1,624	7,968	9,592	2,090	(14,347)	12,257
Corporation tax at the effective rate of 25% (2023: 19%)	406	1,992	2,398	397	(2,726)	2,329
Effects of:						
Non taxable capital (gains)/losses	—	(1,992)	(1,992)	—	2,726	2,726
Non taxable overseas dividends	(995)	—	(995)	(842)	—	(842)
Unrelieved expenses	593	—	593	464	—	464
Income taxed in different years	2	—	2	(15)	—	(15)
Overseas withholding tax	422	—	422	500	—	500
Double taxation relief expensed	(6)	—	(6)	(4)	—	(4)
<b>Total tax charge for the year</b>	<b>422</b>	<b>—</b>	<b>422</b>	<b>500</b>	<b>—</b>	<b>500</b>

**(c) Deferred taxation**

The Company has an unrecognised deferred tax asset of £10,626,000 (2023: £10,046,000) based on a prospective corporation tax rate of 25% (2023: 25%).

The deferred tax asset has arisen due to the cumulative excess of deductible management and loan expenses (£35,775,000 and £6,775,000 respectively) over taxable income. It is not anticipated that excess expenses will be utilised in the foreseeable future and therefore no asset has been recognised in the financial statements.

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

**9. Return/(loss) per share**

	2024 £'000	2023 £'000
Return per share is based on the following:		
Revenue return	1,202	1,590
Capital return/(loss)	7,968	(14,347)
<b>Total return/(loss)</b>	<b>9,170</b>	<b>(12,757)</b>
Weighted average number of shares in issue during the year (excluding Treasury shares)	54,473,070	54,510,339
Revenue return per share	2.21p	2.92p
Capital return/(loss) per share	14.63p	(26.32)p
<b>Total return/(loss) per share</b>	<b>16.84p</b>	<b>(23.40)p</b>

## Notes to the Financial Statements

### 10. Dividends

#### (a) Dividends paid and declared

	2024		2023	
	Pence	£'000	Pence	£'000
<b>Dividends paid</b>				
Fourth quarterly dividend for 2023 paid to shareholders in May	3.6	1,962	4.0	2,180
First quarterly dividend paid to shareholders in August	3.5	1,908	3.4	1,854
Second quarterly dividend paid to shareholders in November	3.5	1,906	3.6	1,962
Third quarterly dividend paid to shareholders in February	3.6	1,957	3.6	1,962
<b>Total dividends paid in the year</b>	<b>14.2</b>	<b>7,733</b>	<b>14.6</b>	<b>7,958</b>

	2024		2023	
	Pence	£'000	Pence	£'000
<b>Dividend declared</b>				
Fourth quarterly dividend payable to shareholders in May	3.6	1,956	3.6	1,962

All dividends paid and declared in the period have been funded from the Revenue Reserve.

The fourth quarterly dividend has been declared in respect of the year ended 31st March 2024. In accordance with the accounting policy of the Company, these dividends will be reflected in the financial statements for the year ending 31st March 2025.

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

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

	2024		2023	
	Pence	£'000	Pence	£'000
First quarterly dividend	3.5	1,908	3.4	1,854
Second quarterly dividend	3.5	1,906	3.6	1,962
Third quarterly dividend	3.6	1,957	3.6	1,962
Fourth quarterly dividend	3.6	1,956	3.6	1,962
<b>Total</b>	<b>14.2</b>	<b>7,727</b>	<b>14.2</b>	<b>7,740</b>

## Notes to the Financial Statements

## 11. Investments

	2024 £'000	2023 £'000
Investments listed on a recognised stock exchange	209,011	206,931
Opening book cost	185,229	206,845
Opening investment holding gains	21,702	23,067
Opening valuation	206,931	229,912
Movement in the year:		
Purchases at cost	68,279	47,832
Sales proceeds	(72,269)	(55,811)
Gains/(losses) on investments	6,070	(15,002)
	209,011	206,931
Closing book cost	174,700	185,229
Closing investment holding gains	34,311	21,702
<b>Total investments held at fair value through profit or loss</b>	<b>209,011</b>	<b>206,931</b>

The Company received £72,269,000 (2023: £55,811,000) from investments sold in the year. The book cost of these investments when they were purchased was £78,808,000 (2023: £69,448,000). These investments have been revalued over time and until they were sold any unrealised gains and losses were included in the fair value of the investments.

Transaction costs on purchases during the year amounted to £32,000 (2023: £24,000) and on sales during the year amounted to £30,000 (2023: £20,000). These costs comprise mainly brokerage commission.

## 12. Current assets

	2024 £'000	2023 £'000
<b>Debtors</b>		
Securities sold awaiting settlement	—	1,210
Dividends and interest receivable	1,969	2,131
Other debtors	55	71
	<b>2,024</b>	<b>3,412</b>

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

## Cash and cash equivalents

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

## 13. Creditors: amounts falling due within one year

	2024 £'000	2023 £'000
Securities purchased awaiting settlement	296	2,225
Bank loan	16,737	19,446
Loan interest payable	17	16
Other creditors and accruals	117	80
	<b>17,167</b>	<b>21,767</b>

The Directors consider that the carrying amount of creditors falling due within one year approximates to their fair value.

## Notes to the Financial Statements

### 13. Creditors: amounts falling due within one year (continued)

The Company arranged a new ¥4 billion, 2 year revolving credit facility with ING Bank expiring in December 2024. The drawdown on the revolving credit facility is typically for a period of three months and is recognised as a creditor falling due within one year. As at 31st March 2024, ¥3.2 billion amounting £16,737,000 of the facility with ING Bank was drawn down (2023: ¥3.2 billion amounting to £19,446,000 of the facility with ING Bank).

Interest on the loan facility is payable at a margin of 1.50% over the Tokyo Overnight Average Rate (TONAR) as offered in the market for the loan period. This facility is subject to covenants which are customary for a credit agreement of this value. The principal covenants that apply to the loan facility are that the total borrowings do not exceed 25% of the Adjusted Net Asset Value and the Company shall ensure that its Adjusted Net Asset Value does not fall below £80,000,000 at any time. These covenants were not breached during the year and up to the date of this report.

### 14. Called up share capital

	2024		2023	
	Number of Shares	£'000	Number of Shares	£'000
<b>Issued and fully paid Ordinary share capital of 10p each:</b>				
Opening balance of Ordinary shares excluding shares held in Treasury <sup>1</sup>	54,510,339	5,452	54,510,339	5,452
Repurchase of Ordinary shares into Treasury	(166,117)	(17)	0	0
<b>Closing balance of Ordinary shares excluding shares held in Treasury</b>	<b>54,344,222</b>	<b>5,435</b>	<b>54,510,339</b>	<b>5,452</b>
Shares held in Treasury	1,600,338	160	1,434,221	143
<b>Closing balance of Ordinary shares including shares held in Treasury</b>	<b>55,944,560</b>	<b>5,595</b>	<b>55,944,560</b>	<b>5,595</b>

Further details of transactions in the Company's shares are given on page 30.

<sup>1</sup> Fully paid ordinary shares, which have a per value of 10p each, carry one vote per share and carry a right to receive dividends.

### 15. Capital and reserves

2024	Capital reserves <sup>2</sup>								
	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve <sup>12</sup> £'000	Realised gains and losses £'000	Investment holding gains and losses £'000	Other revaluation reserve £'000	Revenue reserve <sup>2</sup> £'000	Total £'000
Opening balance	5,595	33,978	1,836	262,994	(125,298)	21,702	4,489	(9,274)	196,022
Net currency losses on derivatives, cash and cash equivalents	—	—	—	—	(876)	—	—	—	(876)
Realised losses on sale of investments	—	—	—	—	(6,539)	—	—	—	(6,539)
Net change in unrealised gains and losses on investments	—	—	—	—	—	12,609	—	—	12,609
Unrealised foreign currency gain on loan	—	—	—	—	—	—	2,709	—	2,709
Repurchase of shares into Treasury	—	—	—	—	(508)	—	—	—	(508)
Other capital charges	—	—	—	—	(6)	—	—	—	(6)
Special dividend received in capital	—	—	—	—	71	—	—	—	71
Net profit for the year	—	—	—	—	—	—	—	1,202	1,202
Dividend paid in the year	—	—	—	(7,733)	—	—	—	—	(7,733)
<b>Closing balance</b>	<b>5,595</b>	<b>33,978</b>	<b>1,836</b>	<b>255,261</b>	<b>(133,156)</b>	<b>34,311</b>	<b>7,198</b>	<b>(8,072)</b>	<b>196,951</b>

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

<sup>2</sup> These reserves form the distributable reserve of the Company and may be used to fund distribution to investors

## Notes to the Financial Statements

2023	Capital reserves <sup>2</sup>								
	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Other reserve <sup>1,2</sup> £'000	Realised gains and losses £'000	Investment holding gains and losses £'000	Other revaluation reserve £'000	Revenue reserve <sup>2</sup> £'000	Total £'000
Opening balance	5,595	33,978	1,836	270,952	(112,177)	23,068	4,349	(10,864)	216,737
Net currency losses on derivatives, cash and cash equivalents	—	—	—	—	(121)	—	—	—	(121)
Realised losses on sale of investments	—	—	—	—	(13,636)	—	—	—	(13,636)
Net change in unrealised gains and losses on investments	—	—	—	—	—	(1,366)	—	—	(1,366)
Unrealised foreign currency gain on loan	—	—	—	—	—	—	1,010	—	1,010
Realised losses on repayment of loans	—	—	—	—	(270)	—	—	—	(270)
Transfer of exchange gains on loans repaid in period	—	—	—	—	870	—	(870)	—	—
Other capital charges	—	—	—	—	(5)	—	—	—	(5)
Special dividend received in capital	—	—	—	—	41	—	—	—	41
Net profit for the year	—	—	—	—	—	—	—	1,590	1,590
Dividend paid in the year	—	—	—	(7,958)	—	—	—	—	(7,958)
<b>Closing balance</b>	<b>5,595</b>	<b>33,978</b>	<b>1,836</b>	<b>262,994</b>	<b>(125,298)</b>	<b>21,702</b>	<b>4,489</b>	<b>(9,274)</b>	<b>196,022</b>

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

<sup>2</sup> These reserves form the distributable reserve of the Company and may be used to fund distribution to investors

## 16. Net asset value per share

	2024	2023
Net assets (£'000)	196,951	196,022
Number of shares in issue, excluding shares held in Treasury	54,344,222	54,510,339
<b>Net asset value per share</b>	<b>362.4p</b>	<b>359.6p</b>

## 17. Capital commitments and contingent liabilities

At the balance sheet date there were no contingent liabilities or capital commitments (2023: none).

### 18a. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on page 45. The management fee payable to the Manager for the year was £1,811,000 (2023: £1,856,000) of which £nil (2023: £nil) was outstanding at the year end.

Included in administration expenses in note 6 on page 76 are safe custody fees payable to JPMorgan Chase group subsidiaries amounting to £16,000 (2023: £16,000) of which £2,000 (2023: £6,000) was outstanding at the year end.

The Manager may carry out some of its dealing transactions through group subsidiaries. These transactions are carried out at arm's length. The commission payable to JPMorgan Securities Limited for the year was £nil (2023: £nil) of which £nil (2023: £nil) was outstanding at the year end.

Handling charges on dealing transactions amounting to £6,000 (2023: £5,000) were payable to JPMorgan Chase Bank N.A. during the year of which £1,000 (2023: £1,000) was outstanding at the year end.

At the year end, total cash of £3,083,000 (2023: £7,446,000) was held with JPMorgan Chase. A net amount of interest of £5,000 (2023: £3,000) was receivable by the Company during the year from JPMorgan Chase of which £nil (2023: £nil) was outstanding at the year end.

### 18b. Transactions with related parties

Full details of Directors' remuneration and shareholdings can be found on pages 57 and 58 and in note 6 on page 76.



## Notes to the Financial Statements

### 19. Disclosures regarding financial instruments measured at fair value

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

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

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

**Level 1: The unadjusted quoted price 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 (i.e.: developed using market data) for the asset or liability, either directly or indirectly**

**Level 3: Inputs are unobservable (i.e.: for which market data is unavailable) for the asset or liability**

Details of the valuation techniques used by the Company are given in note 1(b) on page 73.

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

	2024		2023	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	209,011	—	206,931	—
<b>Total</b>	<b>209,011</b>	<b>—</b>	<b>206,931</b>	<b>—</b>

There was no transfers between Level 1, 2 and 3 during the year (2023: none).

### 20. Financial instruments' exposure to risk and risk management policies

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

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

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

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

The Company's financial instruments as follows:

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

#### (a) Market risk

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

#### (i) Currency risk

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

## Notes to the Financial Statements

**Management of currency risk**

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

**Foreign currency exposure**

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

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

	2024 £'000	2023 £'000
<b>Yen exposure</b>		
Securities sold awaiting settlement, dividends and interest receivable	1,969	3,341
Cash and cash equivalents	2,849	7,095
Bank loan	(16,737)	(19,446)
Securities purchased awaiting settlement and loan interest	(313)	(2,241)
Foreign currency exposure on net monetary items	(12,232)	(11,251)
Investments held at fair value through profit or loss	209,011	206,931
<b>Total net foreign currency exposure</b>	<b>196,779</b>	<b>195,680</b>

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

**Foreign currency sensitivity**

The following table illustrates the sensitivity of return after taxation for the year and net assets with regard to the Company's financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's currency financial instruments held at each balance sheet date and the income receivable in foreign currency and assumes a 10% (2023: 10%) appreciation or depreciation in sterling against the yen, which is considered to be a reasonable illustration based on the volatility of exchange rates during the year.

	2024		2023	
	If sterling strengthened by 10% £'000	If sterling weakened by 10% £'000	If sterling strengthened by 10% £'000	If sterling weakened by 10% £'000
Statement of Comprehensive Income – return after taxation				
Revenue (loss)/return	(422)	422	(474)	474
Capital (loss)/return	(19,682)	19,682	(19,572)	19,572
Total (loss)/return after taxation	(20,104)	20,104	(20,046)	20,046
<b>Net assets</b>	<b>(20,104)</b>	<b>20,104</b>	<b>(20,046)</b>	<b>20,046</b>

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

## Notes to the Financial Statements

### 20. Financial instruments' exposure to risk and risk management policies (continued)

#### (a) Market risk (continued)

##### (ii) Interest rate risk

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

##### Management of interest rate risk

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

The Company has a ¥4.0 billion unsecured two year floating rate loan facility with ING Bank which will expire in December 2024.

Interest on the loan facility is payable at a margin of 1.50% over TONAR as offered in the market for the loan period.

##### Interest rate exposure

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

	2024 £'000	2023 £'000
Amounts exposed to floating interest rates:		
Cash and short-term deposits	3,083	7,446
Bank loan	(16,737)	(19,446)
<b>Total exposure</b>	<b>(13,654)</b>	<b>(12,000)</b>

Interest receivable on cash balances, or paid on overdrafts, is at a margin below or above TONAR respectively (2023: same).

##### Interest rate sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and net assets to a 1% (2023: 4%) increase or decrease in interest rates in regards to the Company's monetary financial assets and financial liabilities. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's monetary financial instruments held at the balance sheet date with all other variables held constant.

	2024		2023	
	1% increase in rate £'000	1% decrease in rate £'000	4% increase in rate £'000	4% decrease in rate £'000
Statement of Comprehensive Income – return after taxation				
Revenue (loss)/return	(137)	137	(480)	480
<b>Net assets</b>	<b>(137)</b>	<b>137</b>	<b>(480)</b>	<b>480</b>

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

## Notes to the Financial Statements

**(iii) Other price risk**

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

**Management of other price risk**

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

**Other price risk exposure**

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

	2024 £'000	2023 £'000
Investments held at fair value through profit or loss	209,011	206,931

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

**Other price risk sensitivity**

The following table illustrates the sensitivity of the return after taxation for the year and net assets to an increase decrease of 10% (2023: 10%) in the market value of equity investments. This level of change is considered to be a reasonable illustration based on observation of current market conditions. The sensitivity analysis is based on the Company's equities, adjusting for changes in the management fee but with all other variables held constant.

	2024		2023	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Statement of Comprehensive Income – return after taxation				
Revenue (loss)/return	(157)	157	(155)	155
Capital return/(loss)	20,901	(20,901)	20,693	(20,693)
Total return/(loss) after taxation	20,744	(20,744)	20,538	(20,538)
<b>Net assets</b>	<b>20,744</b>	<b>(20,744)</b>	<b>20,538</b>	<b>(20,538)</b>

**Concentration of exposure to market price risk**

An analysis of the Company's investments is given on pages 23 to 26. This shows that all of the investments' value is in Japanese equities. Accordingly, there is a concentration of exposure to that country. However, it should be noted that an investment may not be entirely exposed to the economic conditions in its country of domicile or of listing.

## Notes to the Financial Statements

### 20. Financial instruments' exposure to risk and risk management policies (continued)

#### (b) Liquidity risk

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

#### Management of the risk

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

The Board's policy is for the Company to remain fully invested in normal market conditions and that short term borrowings be used to manage short term liabilities, working capital requirements and to gear the Company as appropriate. Details of the current loan facility are given in part (a)(ii) to this note on page 84.

Details of the company's loan facility are given in note 13 on page 80.

#### Liquidity risk exposure

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

	2024			Total £'000
	Three months or fewer £'000	More than three months but not more than one year £'000	More than one year £'000	
<b>Creditors:</b>				
Securities purchased awaiting settlement	296	—	—	296
Other creditors and accruals	117	—	—	117
Bank loan, including interest	21,004	—	—	21,004
	<b>21,417</b>	<b>—</b>	<b>—</b>	<b>21,417</b>

	2023			Total £'000
	Three months or fewer £'000	More than three months but not more than one year £'000	More than one year £'000	
<b>Creditors:</b>				
Securities purchased awaiting settlement	2,225	—	—	2,225
Other creditors and accruals	80	—	—	80
Bank loan, including interest	19,525	—	—	19,525
	<b>21,830</b>	<b>—</b>	<b>—</b>	<b>21,830</b>

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



## Notes to the Financial Statements

**(c) Credit risk**

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

**Management of credit risk****Portfolio dealing**

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

**Cash and cash equivalents**

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

**Exposure to JPMorgan Chase**

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

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

**Credit risk exposure**

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

**(d) Fair values of financial assets and financial liabilities**

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

**21. Capital management policies and procedures**

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

	2024 £'000	2023 £'000
<b>Debt:</b>		
Bank loan	16,737	19,446
<b>Equity:</b>		
Called up share capital	5,595	5,595
Reserves	191,356	190,427
	196,951	196,022
<b>Total debt and equity</b>	<b>213,688</b>	<b>215,468</b>

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

## Notes to the Financial Statements

### 21. Capital management policies and procedures (continued)

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

	2024 £'000	2023 £'000
Investments held at fair value through profit or loss	209,011	206,931
Net assets	196,951	196,022
<b>Gearing</b>	<b>6.1%</b>	<b>5.6%</b>

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

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

### 22. Analysis of change in net debt

	As at 31st March 2023 £'000	Cash flows £'000	Other non-cash charges £'000	As at 31st March 2024 £'000
<b>Cash and cash equivalents</b>				
Cash	7,446	(4,363)	—	3,083
	7,446	(4,363)	—	3,083
<b>Borrowings</b>				
Debt due within one year	(19,446)	—	2,709	(16,737)
	(19,446)	—	2,709	(16,737)
<b>Net debt</b>	<b>(12,000)</b>	<b>(4,363)</b>	<b>2,709</b>	<b>(13,654)</b>

### 23. Subsequent events

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







## Regulatory Disclosures

### Alternative Investment Fund Managers Directive ('AIFMD') Disclosures (Unaudited)

#### Leverage

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

The Company is required to state its maximum and actual leverage levels, calculated as prescribed by the AIFMD, as at 31st March 2024, which gives the following figures:

	Gross Method	Commitment Method
<b>Leverage exposure</b>		
Maximum limit	200%	200%
Actual	108.4%	108.5%

#### AIFMD Remuneration Disclosures

JPMorgan Funds Limited (the '**Management Company**') is the authorised manager of JPMorgan Japan Small Cap Growth & Income plc (the '**Company**') and is part of the J.P. Morgan Chase & Co. group of companies. In this section, the terms 'J.P. Morgan' or 'Firm' refer to that group, and each of the entities in that group globally, unless otherwise specified.

This section of the annual report has been prepared in accordance with the Alternative Investment Fund Managers Directive (the 'AIFMD'), the European Commission Delegated Regulation supplementing the AIFMD, and the 'Guidelines on sound remuneration policies' issued by the European Securities and Markets Authority under the AIFMD. The information in this section is in respect of the most recent complete remuneration period (the '**Performance Year**') as at the reporting date.

This section has also been prepared in accordance with the relevant provisions of the Financial Conduct Authority Handbook (FUND 3.3.5).

#### Remuneration Policy

A summary of the Remuneration Policy currently applying to the Management Company (the 'Remuneration Policy Statement') can be found at <https://am.jp.morgan.com/gb/en/asset-management/gim/per/legal/emea-remuneration-policy>. This Remuneration Policy Statement includes details of how remuneration and benefits are calculated, including the financial and non-financial criteria used to evaluate performance, the responsibilities and composition of the Firm's Compensation and Management Development Committee, and the measures adopted to avoid or manage conflicts of interest. A copy of this policy can be requested free of charge from the Management Company.

The Remuneration Policy applies to all employees of the Management Company, including individuals whose

professional activities may have a material impact on the risk profile of the Management Company or the Alternative Investment Funds it manages ('AIFMD Identified Staff'). The AIFMD Identified Staff include members of the board of the Management Company (the 'board'), senior management, the heads of relevant Control Functions, and holders of other key functions. Individuals are notified of their identification and the implications of this status on at least an annual basis.

The board reviews and adopts the Remuneration Policy on an annual basis, and oversees its implementation, including the classification of AIFMD Identified Staff. The board last reviewed and adopted the Remuneration Policy that applied for the 2023 Performance Year in June 2023 with no material changes and was satisfied with its implementation.

#### Quantitative Disclosures

The table below provides an overview of the aggregate total remuneration paid to staff of the Management Company in respect of the 2023 Performance Year and the number of beneficiaries. These figures include the remuneration of all staff of JP Morgan Asset Management (UK) Ltd (the relevant employing entity) and the number of beneficiaries, both apportioned to the Management Company on an Assets Under Management ('AUM') weighted basis.

Due to the Firm's operational structure, the information needed to provide a further breakdown of remuneration attributable to the Company is not readily available and would not be relevant or reliable. However, for context, the Management Company manages 27 Alternative Investment Funds (with 4 sub-funds) and 2 UCITS (with 44 sub-funds) as at 31st December 2023, with a combined AUM as at that date of £23.99 billion and £20.03 billion respectively.

	Fixed remuneration	Variable remuneration	Total remuneration	Number of beneficiaries
All staff of the Management Company (US\$'000s)	23,549	15,069	38,618	149

The aggregate 2023 total remuneration paid to AIFMD Identified Staff was US\$119,473,000, of which US\$1,636,000 relates to Senior Management and US\$117,837,000 relates to other Identified Staff.<sup>1</sup>

<sup>1</sup> For 2023, the AIFMD identified staff disclosures include employees of the companies to which portfolio management has been formally delegated in line with the latest ESMA guidance.

#### Securities Financing Transactions Regulation Disclosure (Unaudited)

The Company does not engage in Securities Financing Transactions (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions) or total return swaps. Accordingly, disclosures required by Article 13 of the Regulation are not applicable for the year ended 31st March 2024.





## Notice of Annual General Meeting

Notice is hereby given that the twenty-second Annual General Meeting of JPMorgan Japan Small Cap Growth & Income plc (the 'Company') will be held at 60 Victoria Embankment, London EC4Y 0JP on 25th July 2024 at 12 noon to consider and if thought fit, pass the following resolutions, (which will be proposed in case of Resolutions 1 to 9 as ordinary resolutions and in the case of Resolutions 10 to 12 as special resolutions):

1. To receive the Company's annual report and audited financial statements for the year ended 31st March 2024 (the 'Annual Report') together with the Directors' Report, the Strategic Report and the Auditor's Report contained in the Annual Report.
2. To approve the Directors' Remuneration Policy as set out in the Annual Report.
3. To approve the Directors' Remuneration Report for the year ended 31st March 2024.
4. To approve the Dividend Policy of the Company as set out in the Annual Report.
5. To re-elect Alexa Henderson as a Director of the Company.
6. To re-elect Martin Shenfield as a Director of the Company.
7. To re-elect Tom Walker as a Director of the Company.
8. To reappoint Johnston Carmichael LLP as the Auditor of the Company and to authorise the Directors to determine its remuneration.

### Authority to allot new Ordinary shares – Ordinary Resolution

9. THAT the Directors of the Company be and they are hereby generally and unconditionally authorised (in substitution of any authorities previously granted to the Directors), pursuant to and in accordance with Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot equity securities in the Company and to grant rights to subscribe for, or to convert any security into, Ordinary shares in the Company ('Rights') up to an aggregate nominal amount of £541,691 or, if different, the aggregate nominal amount representing approximately 10% of the Company's issued Ordinary share capital (excluding shares held in Treasury) as at the date of the passing of this resolution providing that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2025 unless renewed at a general meeting prior to such time, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted or Rights to be granted after such expiry and so that the Directors of the Company may allot equity securities and grant Rights in pursuance of such offers, agreements or arrangements as if the authority conferred hereby had not expired.

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

10. THAT subject to the passing of Resolution 9, the Directors of the Company be and they are hereby empowered pursuant to Sections 570 and 573 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 9 or by way of a sale of Treasury shares as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of £541,691 or, if different, the aggregate nominal amount representing approximately 10% of the total Ordinary share capital (excluding shares held in Treasury) as at the date of the passing of this resolution at a price of not less than the net asset value per share and shall expire upon the expiry of the general authority conferred by Resolution 9, save that the Company may before such expiry make offers, agreements or arrangements which would or might require equity securities to be allotted after such expiry and so that the Directors of the Company may allot equity securities in pursuance of such offers, agreements or arrangements as if the power conferred hereby had not expired.

### Authority to repurchase the Company's shares – Special Resolution

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

#### PROVIDED ALWAYS THAT

- (i) the maximum number of Ordinary shares hereby authorised to be purchased shall be 8,119,962 or, if fewer, that number of Ordinary shares which is equal to 14.99% of the Company's issued share capital (excluding shares held in Treasury) as at the date of the passing of this Resolution;
- (ii) the minimum price which may be paid for an Ordinary share shall be 10 pence;
- (iii) the maximum price which may be paid for a share shall be an amount equal to the highest of: (a) 105% of the average of the middle market quotations for a share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; or (b) the higher of the price of the last independent trade; or (c) the highest current independent bid;



## Notice of Annual General Meeting

- (iv) any purchase of Ordinary shares will be made in the market for cash at prices below the prevailing NAV per share (as determined by the Directors);
- (v) the authority hereby conferred shall expire on 25th January 2026 unless the authority is renewed at the Company's Annual General Meeting in 2025 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase shares under the authority hereby conferred prior to the expiry of such authority which contract will or may be executed wholly or partly after the expiry of such authority and may make a purchase of shares pursuant to any such contract notwithstanding such expiry.

### Authority to hold general meetings – Special Resolution

12. THAT, a general meeting, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

By order of the Board

**Divya Amin**, for and on behalf of JPMorgan Funds Limited,  
Secretary

20th June 2024

### Notes

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

1. If law or Government guidance so requires at the time of the Meeting, the Chairman of the Meeting will limit, in their sole discretion, the number of individuals in attendance at the Meeting. In addition, the Company may still impose entry restrictions on certain persons wishing to attend the Annual General Meeting in order to secure the safety of those attending the Meeting and the orderly conduct of the Meeting.
2. A member entitled to attend and vote at the Meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or another person(s) as your proxy or proxies using the proxy form are set out in the notes to the proxy form. If a voting box on the proxy form is left blank, the proxy or proxies will exercise his/their discretion both as to how to vote and whether he/they abstain(s) from voting. Your proxy must attend the Meeting for your vote to count. Appointing a proxy or proxies does not preclude you from attending the Meeting and voting in person.
4. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form no later than 12 noon two business days prior to the Meeting (i.e. excluding weekends and bank holidays).
5. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same Meeting, the one which is last received (regardless of its date or the date of its signature) shall be treated as replacing and revoking the other or others as regards that share; if the Company is unable to determine which was last received, none of them shall be treated as valid in respect of that share.

## Notice of Annual General Meeting

6. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the Meeting (the 'specified time'). If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members as at 6.30 p.m. two business days prior to the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote at the Meeting or adjourned Meeting.
7. A corporation, which is a shareholder, may appoint an individual(s) to act as its representative(s) and to vote in person at the Meeting (see instructions given on the proxy form). In accordance with the provisions of the Companies Act 2006, each such representative(s) may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.  
  
Representatives should bring to the Meeting evidence of their appointment, including any authority under which it is signed.
8. Members that satisfy the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's financial statements (including the Auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (b) any circumstances connected with the Auditor of the Company ceasing to hold office since the previous Annual General Meeting, which the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website pursuant to this right.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of confidential information.
10. Under Sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company: (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than the date that is six clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.
11. A copy of this Notice of Meeting has been sent for information only to persons who have been nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
12. In accordance with Section 311A of the Companies Act 2006, the contents of this Notice of Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting, the total voting rights members are entitled to exercise at the Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice will be available on the Company's website [www.jpmmjapan-smallcap-growth-and-income.co.uk](http://www.jpmmjapan-smallcap-growth-and-income.co.uk).



## Notice of Annual General Meeting

13. The register of interests of the Directors and connected persons in the share capital of the Company and the Directors' letters of appointment are available for inspection at the Company's registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted). They will also be available for inspection at the Meeting. No Director has any contract of service with the Company.
14. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.
15. As an alternative to completing a hard copy Form of Proxy/Voting Instruction Form, you can appoint a proxy or proxies electronically by visiting [www.sharevote.co.uk](http://www.sharevote.co.uk). You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed under your name on the Form of Proxy/Voting Instruction Form). Alternatively, if you have already registered with Equiniti Limited's online portfolio service, Shareview, you can submit your Form of Proxy at [www.shareview.co.uk](http://www.shareview.co.uk). Full instructions are given on both websites.
16. As at 20th June 2024 (being the latest business day prior to the publication of this Notice), the Company's issued share capital (excluding Treasury shares) consists of 54,169,193 Ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 54,169,193.

### Electronic appointment – CREST members

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. See further instructions on the proxy form.

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

### Return to Shareholders (APM)

Total return to the shareholders, on a last traded price to last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

		Year ended 31st March 2024	Year ended 31st March 2023	
Total return calculation	Page			
Opening share price (p)	7	324.5	368.0	(a)
Closing share price (p)	7	317.0	324.5	(b)
Total dividend adjustment factor <sup>1</sup>		1.047230	1.045342	(c)
Adjusted closing share price (d = b x c)		332.0	339.2	(d)
<b>Total return to shareholders (e = (d / a) – 1)</b>		<b>2.3%</b>	<b>–7.8%</b>	<b>(e)</b>

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

### Return on Net Assets (APM)

Total return on net asset value ("NAV") per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

		Year ended 31st March 2024	Year ended 31st March 2023	
Total return calculation	Page			
Opening cum-income NAV per share (p)	7	359.6	397.6	(a)
Closing cum-income NAV per share (p)	7	362.4	359.6	(b)
Total dividend adjustment factor <sup>1</sup>		1.041839	1.042276	(c)
Adjusted closing cum-income NAV per share (d = b x c)		377.6	374.8	(d)
<b>Total return on net assets (e = (d / a) – 1)</b>		<b>5.0%</b>	<b>–5.7%</b>	<b>(e)</b>

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

### Annualised Returns

An annualised return is the geometric average return that shows the return over a given period if the annual return was compounded over the same period.

	Page	Year ended 31st March 2024	
10 years cumulative return on net assets	27	115.2%	(a)
10 years cumulative benchmark return	27	126.9%	(b)
10 years annualised return on net assets $((1 + a)^{\frac{1}{10}} - 1)$		8.0%	
10 years annualised benchmark return $((1 + b)^{\frac{1}{10}} - 1)$		8.5%	

### Net Asset Value Per Share (APM)

The value of the Company's net assets (total assets less total liabilities) divided by the number of ordinary shares in issue. Please see note 16 on page 81 for detailed calculations.

### Benchmark Return

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

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

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

### Gearing/(Net Cash) (APM)

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

		31st March 2024 £'000	31st March 2023 £'000	
Gearing calculation	Page			
Investments held at fair value through profit or loss	71	209,011	206,931	(a)
Net assets	71	196,951	196,022	(b)
<b>Gearing (c = (a / b) – 1)</b>		<b>6.1%</b>	<b>5.6%</b>	<b>(c)</b>

### Ongoing charges (APM)

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

		Year ended 31st March 2024	Year ended 31st March 2023	
Ongoing charges calculation	Page			
Management fee (£'000)	76	1,811	1,856	
Other administrative expenses (£'000)	76	487	472	
Total management fee and other administrative expenses (£'000)		2,298	2,328	(a)
Average daily cum-income net assets (£'000)		191,536	196,192	(b)
<b>Ongoing charges (c = a / b)</b>		<b>1.20%</b>	<b>1.19%</b>	<b>(c)</b>

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

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

The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium (page 7).

		Year ended 31st March 2024	Year ended 31st March 2023	
	Page			
Share price (p)	7	317.0	324.5	(a)
Net assets value per share with debt at par value (p)	7	362.4	359.6	(d)
<b>Discount to net assets value with debt at par value (c = (a – b) / b)</b>		<b>12.5%</b>	<b>9.8%</b>	<b>(e)</b>

### Performance Attribution

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

#### Performance Attribution Definitions:

##### Stock/Sector Allocation

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

##### Gearing/(net cash)

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

##### Management Fee/Other Expenses

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

## Investing in JPMorgan Japan Small Cap Growth & Income plc

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

### 1. Via a third party provider

Third party providers include:

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

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

### 2. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you to find an investment that suits your individual circumstances.

An adviser will let you know the fee for their service before you go ahead. You can find an adviser at [unbiased.co.uk](https://unbiased.co.uk).

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

To familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules, [visit fca.org.uk](https://www.fca.org.uk).

### 3. Voting on Company Business and Attending the AGM

The Board encourages all of its shareholders to exercise their rights by voting at general meetings and attending if able to do so. If you hold your shares on the Company's main register, please refer to the notes to the AGM on pages 93 to 95 and your form of proxy. If your shares are held through a platform, platform providers often provide shareholders with the ability to receive company documentation, to vote their shares and to attend general meetings, at no cost. Please refer to your investment platform for more details, or visit the Association of Investment Companies' ('AIC') website at [www.theaic.co.uk/aic/shareholder-voting-consumer-platforms](https://www.theaic.co.uk/aic/shareholder-voting-consumer-platforms) for information on which platforms support these services and how to utilise them.



## Share Fraud Warning

## Investment and pension scams are often sophisticated and difficult to spot



### Be a ScamSmart investor and spot the warning signs

#### Fraudsters will often:

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



### How to avoid investment and pension scams

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

### If you're suspicious, report it

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

If you've lost money in a scam, contact Action Fraud on 0300 123 2040 or [www.actionfraud.police.uk](http://www.actionfraud.police.uk)



**Be ScamSmart and visit**  
**[www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)**

## Information about the Company

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### Financial Conduct Authority ('FCA') Regulation of 'non-mainstream pooled investments', MiFID II 'complex investments'

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by independent financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future.

The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust. The Company's ordinary shares are not considered to be 'complex investments' under the FCA's 'Appropriateness' rules and guidance in the Conduct of Business sourcebook.

### Consumer Duty Value Assessment

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

The Manager has concluded that the Company is providing value based on the above assessment.

### Task Force on Climate-related Financial Disclosures

As a listed Investment Trust, the Company is exempt from Task Force on Climate-related Financial Disclosures ('TCFD') disclosures. However, in accordance with the requirements of the TCFD, on 30th June 2023, the Investment Manager published its first UK TCFD Report for the Company in respect of the year ended 31st December 2022. The report discloses estimates of the portfolio's climate-related risks and opportunities according to the FCA Environmental, Social and Governance Sourcebook and the TCFD Recommendations. The report is available on the Company's website: [www.jpmmjapanismallcapgrowthandincome.co.uk](http://www.jpmmjapanismallcapgrowthandincome.co.uk).

## Information about the Company

### History

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

### Company Numbers

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

### Market Information

The Company's unaudited NAV per share is published daily, via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange and are quoted daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman and on the Company's website at [www.ipmjapansmallcapgrowthandincome.co.uk](http://www.ipmjapansmallcapgrowthandincome.co.uk), where the share price is updated every 15 minutes during trading hours.

### Website

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

### Share Transactions

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

### Manager and Company Secretary

JPMorgan Funds Limited

### Company's Registered Office

60 Victoria Embankment  
 London EC4Y 0JP  
 Telephone number: 0800 20 40 20 or +44 1268 44 44 70  
 email: [invtrusts.cosec@ipmorgan.com](mailto:invtrusts.cosec@ipmorgan.com)

For Company Secretarial issues and administrative matters, please contact Divya Amin via the details above, or via the Company's website through the 'Contact Us' link.

### Depository

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

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

### Registrar

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

Lines are open from 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. If calling from outside of the UK, please ensure the country code is used.

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

Registered shareholders can obtain further details on individual holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk).

**Please Note:** Computershare Investor Services Plc will be replacing Equiniti as the Company's Registrar later this year. Further information including full contact details will be made available to shareholders nearer the time and will be incorporated into all future shareholder communications following the transition.

### Auditor

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

### Broker

Cavendish Corporate Finance LLP  
 1 Bartholomew Close  
 London  
 EC1A 7BL



The Company is a member of the Association of Investment Companies (the 'AIC')

## CONTACT

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London

EC4Y 0JP

Tel +44 (0) 20 7742 4000

Website: [www.jpmmjapan-smallcap-growth-and-income.co.uk](http://www.jpmmjapan-smallcap-growth-and-income.co.uk)

