



Annual Report **2010**
JPMorgan Japanese
Investment Trust plc

Annual Report & Accounts for the year ended 30th September 2010

J.P.Morgan
Asset Management

Features

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Objective

Capital growth from Japanese investments.

Investment Policy

- To maintain a portfolio almost wholly invested in Japan.
- To use gearing to increase potential returns to shareholders. The Company's gearing policy is to operate within a range of 95% to 115% invested in normal market conditions.
- To invest no more than 15% of its gross assets in any listed company (including investment trusts).

Further details on investment policies and risk management are given in the Directors' Report on page 15.

Benchmark

The Tokyo Stock Exchange 1st Section Index ('TOPIX') expressed in sterling terms.

Capital Structure

UK domiciled.

Full listing on London Stock Exchange.

As at 30th September 2010, the Company had 161,458,078 (2009: 169,851,078) ordinary shares of 25p each in issue.

Management Company

The Company employs JPMorgan Asset Management (UK) Limited ('JPMAM' or the 'Manager') to manage its assets.

Financial Results

Total Returns (includes dividends reinvested)

+3.9%

Return to shareholders¹
(2009: 10.3%)

+3.7%

Return on net assets²
(2009: 10.5%)

+0.9%

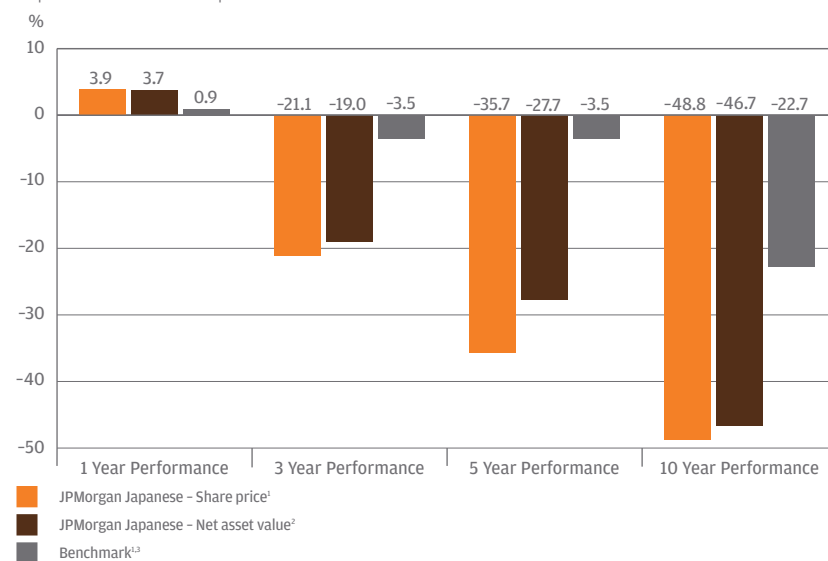
Benchmark return^{1,3}
(2009: 12.7%)

2.8p

Dividend
(2009: 2.8p)

Performance

for periods ended 30th September 2010



A glossary of terms and definitions is provided on page 53.

¹Source: Morningstar.

²Source: J.P. Morgan.

³Source: Datastream. The Company's benchmark is the Tokyo Stock Exchange 1st Section Index (TOPIX) expressed in sterling terms.

Chairman's Statement



Investment Performance

Over the year to 30th September 2010, your Company produced a total return on net assets in sterling terms of 3.7%, outperforming the sterling total return of the Tokyo Stock Exchange First Section (TOPIX) Index (our benchmark) of 0.9%. The share price total return was 3.9%.

Revenue and Dividends

Earnings per share were 2.91p (2009: 2.96p). The Company's revenue position is sufficiently strong to maintain last year's level of dividend and, to that end, the Board proposes, subject to shareholders' approval at the AGM, to pay a final dividend of 2.80p per share (2009: 2.80p). The dividend would be payable on 22nd December 2010 to shareholders on the register at the close of business on 3rd December 2010. It remains important to stress that dividend streams from Japan remain unpredictable and depend to a considerable degree on the construction of the portfolio at any given time. This year's payment therefore should not be taken as any indication of future dividend payments.

Gearing

The Board of Directors sets the overall strategic gearing policy and guidelines and reviews these at each meeting. The investment managers then manage the gearing within these agreed levels. At the year-end on 30th September 2010 the Company was un-g geared due to the investment manager's cautious view on the Japanese market. The management of gearing has been active during the year with the level having ranged between a geared position of 12.2% and a net cash position (un-g geared) of 2.3%. Since the year end the Manager has made a number of additional purchases and the Company is once again in a geared position.

Investment Manager

The Company's objective is to provide shareholders with capital growth from a portfolio of investments in Japanese companies

Shareholders will be pleased to see that, in the latest year, your Investment Manager has achieved some outperformance against the TOPIX index used as our benchmark. It is now nearly three years since responsibility for the management of the portfolio was transferred to Tokyo in December 2007, and your Directors believe that the changes and subsequent refinements that have been made to the portfolio management process have helped improve the performance of the portfolio. Achieving good investment results remains imperative and your Board will continue to monitor the ongoing investment operations to ensure that these improvements are maintained.

In July 2010, Nicholas Weindling became the sole investment manager overseeing the portfolio. This followed the departure of James Elliot from the Tokyo office and his return to London.

Board of Directors

Two Directors are seeking re-election at this year's Annual General Meeting. The Director retiring by rotation is Alan Barber, who being eligible offers himself for re-election. In addition, I, having served as a Director for in excess of nine years, therefore also retire and will seek re-election. The Board does not believe that length of service in itself should disqualify a Director from seeking re-election and, in proposing my re-election, it has taken into account the ongoing requirements of the Combined Code, including the need to refresh the Board and its Committees. Alan contributes significantly to the Board's deliberations and I have no hesitation in recommending his re-election.

Authority to Repurchase the Company's Shares

At last year's AGM, shareholders granted the Directors authority to repurchase up to 14.99% of the Company's shares for cancellation. The Company repurchased 5.0% of the Company's issued share capital (8,393,000 shares) for cancellation during the year, adding 0.9% to performance. The Directors believe that the power to buyback shares is of ongoing benefit to shareholders and therefore proposes that the authority be renewed for a further period.

Annual General Meeting

This year's Annual General Meeting will be held on 21st December 2010 at 2.00 p.m. at Trinity House, Tower Hill, London EC3N 4DH. As in previous years, in addition to the formal part of the meeting, there will be a presentation from the Investment Manager who will answer questions on the portfolio and performance. There will also be an opportunity to meet the Board, the Investment Manager and representatives of J.P. Morgan Asset Management after the meeting. I look forward to welcoming as many of you as possible to this meeting. If you have any detailed or technical questions, it would be helpful if you could raise these in advance of the meeting with the Company Secretary at Finsbury Dials, 20 Finsbury Street, London EC2Y 9AQ. Shareholders who are unable to attend the AGM are encouraged to cast their votes by proxy.

Prospects

Growth remains at subdued levels in domestic Japan with continuing deflation a problem. Satisfactory investment results are therefore going to depend on those companies which are able to seize the opportunities that are available in the neighbouring Asia-Pacific region. To this end, as your Managers comment, it would be helpful both if the Japanese yen were to weaken against other world currencies and there were a period of stable politics within the country. Such a situation would materially add to the potential for those companies which are already internationally competitive and which form a significant proportion of the portfolio.

Jeremy Paulson-Ellis
Chairman

19th November 2010

Investment Manager's Report



In the twelve months ended 30th September 2010 the Topix benchmark index rose 0.9% in sterling terms. Encouragingly, recent improvements in the Company's performance continued with the NAV rising by 3.7% thereby outperforming our benchmark by 2.8%. In general, the global economic recovery was not as smooth as some had hoped, while in Japan the yen continued to strengthen and the political environment remained uncertain. The key focus of the Company's holdings remained as last year, that is companies based in Japan but with an opportunity to grow in emerging markets, particularly Asia.

The Economy

Globally, the economic recovery has been proceeding at two speeds. In the West and Japan there remain concerns about employment, the sustainability of growth and levels of government debt. By contrast, the emerging world looks ever more attractive with strong growth looking set to be driven by infrastructure projects and a rapidly growing middle class. In China the government has so far managed to control the pace of growth and our team there remains confident in the outlook. In Japan, deflation remains entrenched and government debt continues to increase. There has been very little recovery in consumer spending. Many of these trends are long-term structural issues and therefore play a significant part in shaping the portfolio.

Politics

In last year's report we discussed the important change in the political landscape whereby the Democratic Party of Japan came to power, thus ending around sixty years of almost unbroken rule by the Liberal Democratic Party. There were expectations that this would lead to substantial change and more reform. However, this year has actually been characterised by virtually continuous political infighting with Yukio Hatoyama being replaced by Naoto Kan who then faced a further leadership challenge. At the very least it would be helpful if Japan could have stable and strong leadership. It is no coincidence that one of the best periods for stockmarket performance was during Junichiro Koizumi's premiership.

Currency

The continuing strength in the yen was one of the defining characteristics of the last year with the yen/dollar rate moving from ¥89.7 to ¥83.5, touching a fifteen year high in the process. There were similar moves against other currencies, including sterling and the euro. This trend is problematic for Japan as it not only reduces overseas profits when they are converted back into yen but, perhaps more importantly, Japanese products risk becoming uncompetitive. In global markets Japan tends to be strong in industries which are also key, for example, to Germany and Korea. In this respect products from companies from Samsung to Volkswagen are 20% more competitive simply due to recent movements in currency markets. In light of these challenges it is remarkable how much cost has been cut at companies from Honda to Canon in order stay profitable.

Performance attribution for the year ended 30th September 2010

	%	%
Contributions to total returns		
Benchmark return		0.9
Allocation effect	2.6	
Stock selection	1.2	
Gearing/cash	-1.1	
Investment manager contribution		2.7
Portfolio total return		3.6
Management fees/ other expenses	-0.8	
Share repurchases	0.9	
Other effects		0.1
Return on net assets		3.7

Source: JPMAM and Morningstar.
All figures are on a total return basis.

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

A glossary of terms and definitions is provided on page 53.

Towards the end of the review period the Bank of Japan and the government intervened in the foreign exchange market for the first time in six years. It is too early to judge if these actions will be successful but it is at least encouraging to see this problem treated seriously, even if the results so far are not encouraging with the yen continuing to climb. Our view is that the trend will not reverse until there are expectations for interest rate rises in other markets. Once the yen does weaken, however, profits look set to surge as companies will benefit from significantly lower cost bases.

The Market and Portfolio Strategy

In general terms those sectors that performed well over the year were export oriented, such as wholesale trade, glass, electric appliances and transportation while domestic sectors, such as banks and retail, performed poorly. This in part reflects the better outlook for export companies as they grow in Asia versus more limited prospects domestically. However, we also saw the continuance of large scale equity issuance as companies sought to repair their balance sheets, the bulk of which came from domestically oriented companies. While in some cases these fund raisings were justified, in others these were not necessarily in the best interests of shareholders. We continue to stress the importance of balance sheet strength and concern for shareholder returns in our investment process. For example, this has long underpinned our disinclination to invest in Japan's largest utility, Tokyo Electric Power, which sold new shares towards the end of the financial year.

The overall valuation on the market remains at a historically low level of around 1x price/book. Sentiment also remains at depressed levels. We believe that some investors under-appreciate the opportunities for Japanese companies to grow earnings, particularly the opportunity for companies in Asia, and the relatively low valuations on which these trade.

Turning to your Company's investments, we continue to favour those that can grow in Asia. Prime examples include Suzuki Motor which is number one in the Indian auto market and Kansai Paint, the number one in auto paint in India. The Trust has significant exposure to the Honda group due to its commanding market share in motorbikes in markets such as Indonesia. Our weighting in trading companies, such as Mitsubishi and Mitsui, gives us significant exposure to commodities. Omron should benefit from increasing factory automation in China as wages there rise. Asahi Breweries owns significant stakes in the leading Chinese brewing and food companies.

In the real estate sector we started the financial year with 3.2% exposure and ended with a zero weighting. We have been concerned with the balance sheet strength of real estate companies in Japan as well as the high level of new office property available in Tokyo.

Investment Manager's Report continued

We continue to invest in companies with strong cash flow which are prioritising return to shareholders. Examples include the investments in the telecom sector, such as Nippon Telegraph, and railways, such as East Japan Railway. We also hold positions in companies we believe can grow despite headwinds at home, for example Japan's leading online retailer, Rakuten, as well as companies which are aggressively restructuring such as JS Group and JX Holdings.

Outlook

It is important to note that the market and the economy are not the same, just as the FTSE 100 is not representative of the UK at large. We at JPMorgan Asset Management firmly believe that Japan is fortunate that, by geographic chance and by the nature of the products in which the country is competitive, the country is ideally positioned to benefit from the development of Asian economies. Our local presence on the ground in Tokyo is a strong competitive advantage in identifying long-term regional or country-specific themes. Similarly, there are many long-term structural trends in Japan which make active management in the market exciting as we differentiate between those companies that can grow profits in a tough domestic environment and those that cannot. Given historically low valuations and our confidence in Asian growth we have increased our exposure through drawing down and investing a proportion of the available borrowings. We remain positive on the outlook for the Trust's performance and the market overall in the period ahead.

Nicholas Weindling
Investment Manager

19th November 2010

Summary of Results

	2010	2009	
Total returns for the year ended 30th September			
Return to shareholders ¹	+3.9%	+10.3%	
Return on net assets ²	+3.7%	+10.5%	
Benchmark return ^{1,3}	+0.9%	+12.7%	
			% change
Net asset value, share price and discount at 30th September			
Shareholders' funds (£'000)	306,106	315,677	-3.0
Net asset value per share	189.6p	185.9p	+2.0
Share price	160.0p	157.0p	+1.9
Share price discount to net asset value	15.6%	15.5%	
Exchange rate	£1 = ¥131.6	£1 = ¥143.2	+8.8
Shares in issue	161,458,078	169,851,078	
Revenue for the year ended 30th September			
Gross revenue return (£'000)	6,138	7,596	-19.2
Net revenue attributable to shareholders (£'000)	4,726	5,078	-6.9
Earnings per share	2.91p	2.96p	-1.7
Dividend per share	2.80p	2.80p	0.0
Actual gearing factor⁴	98.2%	107.6%	
Total expense ratio⁵	0.81%	0.77%	

A glossary of terms and definitions is provided on page 53.

¹Source: Morningstar.

²Source: J.P. Morgan.

³Source: Datastream. The Company's benchmark is The Tokyo Stock Exchange 1st Section Index (TOPIX) expressed in sterling terms.

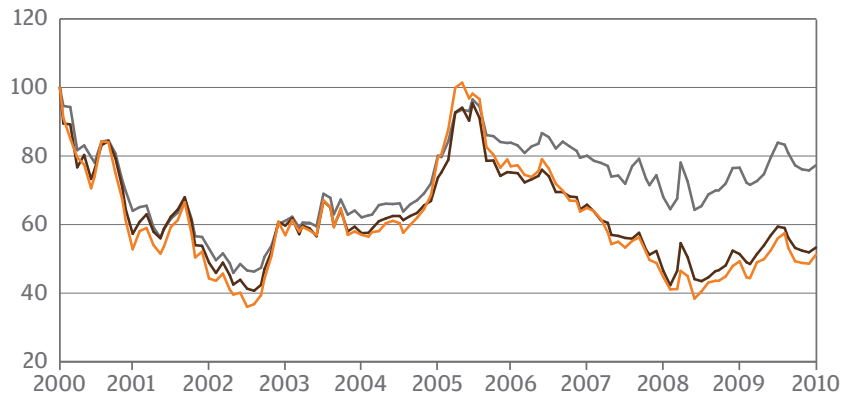
⁴Actual gearing represents investments expressed as a percentage of total net assets. A gearing figure of less than 100% arises when the Company is in a 'net cash' position.

⁵Management fees and all other operating expenses excluding interest and VAT recoverable, expressed as a percentage of the average of the month end net assets during the year.

Performance

Ten Year Performance

Figures have been rebased to 100 at 30th September 2000

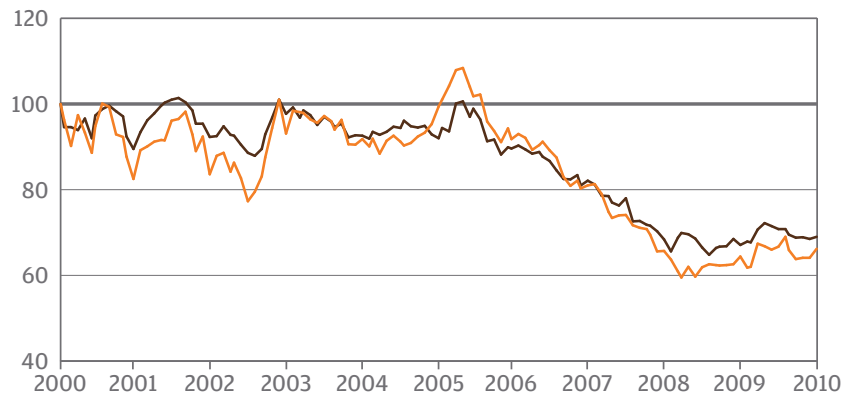


Source: Morningstar/Datastream.

- JPMorgan Japanese - share price total return.
- JPMorgan Japanese - net asset value total return.
- Benchmark.

Performance Relative to Benchmark

Figures have been rebased to 100 at 30th September 2000



Source: Morningstar/Datastream.

- JPMorgan Japanese - share price total return.
- JPMorgan Japanese - net asset value total return.
- The benchmark index is represented by the grey horizontal line.

Ten Year Financial Record

At 30th September	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total assets less current liabilities (£'m)	721.1	413.5	338.4	408.6	393.1	504.3	511.7	431.8	298.1	315.7	306.1
Net asset value per share (p)	368.2	211.1	180.2	219.9	211.6	271.4	275.8	244.3	171.3	185.9	189.6
Share price (p)	330.5	174.5	146.5	188.0	188.5	263.0	254.5	214.5	145.5	157.0	160.0
Discount (%)	10.2	17.3	18.7	14.5	10.9	3.1	7.7	12.2	15.1	15.5	15.6
Actual gearing (%) ¹	121.0	119.7	106.7	112.2	106.8	113.8	112.5	112.3	108.0	107.6	98.2
Yen exchange rate (=£1)	159.8	175.1	191.5	185.6	199.4	200.5	220.5	234.3	189.2	143.2	131.6
Year ended 30th September											
Revenue attributable to shareholders (£'000)	4,861	4,632	3,601	4,274	5,272	6,537	8,450	7,068	7,160	7,596	6,138
Earnings per share (p)	(2.23)	(1.95)	(0.82)	1.19	2.06	2.75	3.60	2.96	2.97	2.96	2.91
Dividend per share (p)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	2.80	2.80	2.80	2.80
Total expense ratio %	0.77	0.77	0.83	0.66	0.83	0.73	0.78	0.75	0.79	0.77	0.81
Rebased to 100 at 30th September 2000											
Share price total return ³	100.0	52.8	44.3	56.9	57.0	79.6	77.0	64.9	44.7	49.3	51.2
Net asset value total return ³	100.0	57.3	48.9	59.7	57.5	73.7	75.2	65.8	46.5	51.4	53.3
Benchmark ^{3,4}	100.0	64.0	53.0	61.1	62.1	80.1	83.9	80.1	68.0	76.6	77.3

A glossary of terms and definitions is provided on page 53.

¹Actual gearing represents investments expressed as a percentage of total net assets. A gearing figure of less than 100% arises when the Company is in a 'net cash' position.

²Management fees and all other operating expenses excluding interest and VAT recoverable, expressed as a percentage of the average of the month end net assets during the year (2008 and prior years: the average of the opening and closing net assets).

³Source: Morningstar.

⁴Source: Datastream. The Company's benchmark is The Tokyo Stock Exchange 1st Section Index (TOPIX) expressed in sterling terms.

Ten Largest Investments

at 30th September 2010

Company	Sector	2010 Valuation		2009 Valuation	
		£'000	% ¹	£'000	% ¹
Nippon Telegraph and Telephone Fixed line telecom operator with substantial value from subsidiaries including mobile phone operator NTT Docomo. High free cash flow and steadily improving focus on shareholder return.	Communication	16,893	5.5	20,012	6.4
Mitsubishi UFJ Japan's largest bank. Trading close to an all time low, it should benefit from a slow recovery in the domestic economy. With the balance sheet now stronger, capital raisings should have finished.	Banks	13,945	4.5	13,232	4.2
Honda Motor Manufacturer of motorbikes and cars. Very high market share in emerging markets from motorbikes which should be the major growth driver.	Transportation Equipment	12,591	4.1	9,957	3.2
Canon² Leading manufacturer of copiers, printers and cameras. Consumables, such as ink and camera lenses, are particularly high margin. Free cash flow is strong and the company has consistently focused on shareholder returns.	Electric Appliances	10,294	3.4	5,719	1.8
Sumitomo Mitsui Financial Japan's second largest bank. Trading close to an all time low, it should benefit from a slow recovery in the domestic economy. With the balance sheet now stronger, capital raisings should have finished.	Banks	8,529	2.8	10,216	3.2
Sumitomo Corporation² General trading company with interests in resources, steel, autos, construction equipment and real estate. The company should benefit from a steadily improving global economy, while there is significant valuation support including a relatively high dividend yield and low PE.	Wholesale	8,439	2.8	7,021	2.2
Sumitomo Electric² The global leader in wire harnesses for autos with steadily increasing market share. Trends towards hybrid or electric vehicles are positive. The company has restructured over time and succeeded in reducing debt levels and focusing on free cash flow.	Nonferrous Metals	8,168	2.7	6,601	2.1
Japan Tobacco² Major cigarette manufacturer. Purchased the overseas tobacco business of RJR in 1999 and UK tobacco firm Gallaher in 2007. Profits are increasingly driven by the overseas business, particularly Russia.	Foods	7,093	2.3	1,009	0.3
Asahi Glass² Globally competitive glass manufacturer with high market share in glass for LCD, construction and autos. LCD glass is particularly high margin with only three major global manufacturers. The bulk of Asahi's investment is behind it, meaning free cash flow will substantially improve.	Glass & Ceramic	6,875	2.2	7,316	2.3
Toyota Motor² World's largest automaker in terms of output and sales. The demand outlook should improve but the company is somewhat hampered by a high percentage of production in Japan.	Transportation Equipment	6,441	2.1	6,284	2.0
Total		99,268	32.4		

¹Based on total assets less current liabilities of £306.1m (2009: £315.7m).

²Not included in the ten largest investments at 30th September 2009.

At 30th September 2009, the value of the ten largest investments amounted to £111.6m representing 35.4% of total assets less current liabilities.

Sector Analysis

	30th September 2010		30th September 2009	
	Portfolio %	Benchmark %	Portfolio %	Benchmark %
Processing	55.9	46.0	46.6	44.6
Electric Appliances	15.6	15.0	12.7	14.4
Transportation Equipment	12.5	10.0	8.7	9.7
Communication	11.7	5.8	11.8	6.0
Wholesale	9.5	5.2	8.4	4.6
Machinery	3.3	4.7	1.8	4.6
Services	1.7	1.7	1.5	1.6
Precision Instruments	1.0	1.5	1.3	1.5
Other Products	0.6	2.1	0.4	2.2
Basic	17.6	15.8	17.6	15.9
Consumer	14.0	11.9	13.6	12.2
Other Consumer	7.7	7.7	6.7	7.9
Retail Trade	3.9	3.5	2.5	3.6
Other Financing Business	2.4	0.7	4.4	0.7
Financial	8.4	12.9	12.3	13.2
Assets	4.1	8.3	9.9	8.7
Other Assets	4.1	6.0	6.7	6.4
Real Estate	–	2.3	3.2	2.3
Utilities	–	5.1	–	5.4
Total	100.0	100.0	100.0	100.0

Based on the total portfolio investments of £300.5m (2009: £339.7m).

List of Investments

at 30th September 2010

Company	Valuation £'000	Company	Valuation £'000
Processing		Machinery	
<i>Electric Appliances</i>			
Canon	10,294	Makita	4,281
Omron	6,026	Kubota	3,449
Fujitsu	4,938	Sumitomo Heavy Industries	1,519
Murata Manufacturing	3,883	THK	703
Ibiden	3,807		9,952
Tokyo Electron	3,715	Services	
Mitsubishi Electric	3,306	Rakuten	3,646
Mabuchi Motor	3,068	Nichii Gakkan	1,413
Fanuc	2,670		5,059
Kyocera	2,325	Precision Instruments	
Yokogawa Electric	2,016	Nikon	1,557
TDK	863	Hoya	1,431
	46,911		2,988
<i>Transportation Equipment</i>		Other Products	
Honda Motor	12,591	Nintendo	839
Toyota Motor	6,441	Pigeon	832
Suzuki Motor	5,320		1,671
Nissin Kogyo	4,838	Total Processing	
Musashi Seimitsu	4,500		168,042
Nissan Motor	1,828	Basic	
NOK	1,480	Chemicals	
Toyota Boshoku	560	Kansai Paint	5,466
Isuzu Motors	73	Fujifilm	5,377
	37,631	Shin-etsu Chemical	2,979
Communication		Nihon Parkerizing	2,494
Nippon Telegraph and Telephone	16,893	Nitto Denko	1,694
Softbank	5,578	Shiseido	1,514
NTT Docomo	5,110	Mandom	85
Yahoo	3,837		19,609
DTS	2,382	Glass & Ceramic	
KDDI	1,464	Asahi Glass	6,875
	35,264	Nippon Electric Glass	4,698
Wholesale			11,573
Sumitomo Corporation	8,439	Nonferrous Metals	
Mitsui & Co	6,270	Sumitomo Electric	8,168
Mitsubishi	4,402	Furukawa Electric	2,277
Itochu	3,375		10,445
Marubeni	3,145		
Canon Marketing	2,935		
	28,566		

Company	Valuation £'000	Company	Valuation £'000
Metal Products		Financial	
JS	4,416	Banks	
	4,416	Mitsubishi UFJ	13,945
Iron and Steel		Sumitomo Mitsui Financial	8,529
JFE	1,645		22,474
Nippon Steel	728	Securities & Commodity Futures	
	2,373	Daiwa Securities	1,462
Oil and Coal Products		Nomura	1,265
JX Holdings	2,268		2,727
	2,268	Total Financial	25,201
Rubber Products		Assets	
Bridgestone	2,259	Land Transportation	
	2,259	East Japan Railway	5,965
Total Basic		West Japan Railway	5,602
	52,943		11,567
Consumer		Warehouse & Harbour Transportation	
Foods		Kintetsu World Express	867
Japan Tobacco	7,093		867
Asahi Breweries	5,626	Total Assets	12,434
Toyo Suisan Kaisha	4,693		
	17,412	Total Portfolio	300,515
Retail Trade			
Don Quijote	3,994		
Familymart	3,163		
Nitori	2,965		
Fast Retailing	768		
ABC-Mart	726		
	11,616		
Other Financing Business			
Osaka Securities Exchange	5,120		
Orix	2,194		
	7,314		
Pharmaceuticals			
Shionogi	5,553		
	5,553		
Total Consumer	41,895		

Board of Directors



Jeremy Paulson-Ellis (Chairman)

A Director since 1996.

Until 30th June 2009, he was Chairman of Genesis Investment Management LLP, a specialist institutional investment manager. Prior to that Mr Paulson-Ellis was Chairman of Vickers da Costa Limited where he had responsibility for all their Japanese business.



Alan Barber (Chairman of the Audit Committee)

A Director since 2006.

Currently Executive Chairman of the Management Consultancy plc and a Director and Audit Committee Chairman of Western & Oriental plc, Witan Pacific Investment Trust plc and Impax Asian Environmental Markets plc, Mr Barber is a Chartered Accountant and was a partner in KPMG for twenty five years prior to his retirement in 2004.



Andrew Fleming

A Director since 2004.

Chief Executive and Chief Investment Officer of Aegon Asset Management UK Limited. Mr Fleming has over twenty five years of investment management experience which included six years running an investment company in Tokyo from 1987.



David Pearson

A Director since 2003.

Chairman of innovITS Limited. Mr Pearson has considerable experience working for multinational corporations with exposure to Japan, as Managing Director of Sony UK Limited, Director of Pentland Group plc and Chief Executive of NXT plc.



Keith Percy

A Director since 2004.

Currently Chairman of Brunner Investment Trust plc and a Director of Standard Life Equity Income Trust plc, Henderson Smaller Companies Investment Trust plc and the Children's Mutual.

All Directors are members of the Audit and Nomination Committees and are considered independent of the Manager.

Directors' Report

The Directors present their report for the year ended 30th September 2010.

Business Review

Business of the Company

The Company carries on business as an investment trust and was approved by HM Revenue & Customs as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 (replaced on 1st April 2010 by Section 1158 of the Corporation Tax Act 2010) for the year ended 30th September 2009. In the opinion of the Directors, the Company has subsequently conducted its affairs so that it should continue to qualify. The Company will continue to seek approval under Section 1158 of the Corporation Tax Act 2010 each year.

Approval for the year ended 30th September 2009 would be subject to review should there be any subsequent enquiry under Corporation Tax Self Assessment.

The Company is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company is not a close company for taxation purposes.

A review of the Company's activities and prospects is given in the Chairman's Statement on pages 2 and 3 and in the Investment Manager's Report on pages 4 to 6.

Objective

The Company's objective is to achieve capital growth from investments in Japanese companies by long term outperformance of the Company's benchmark index, the Tokyo Stock Exchange 1st Section Index ('TOPIX') expressed in sterling terms.

Investment Policies and Risk Management

In order to achieve its investment objectives and to seek to manage risk, the Company invests in a diversified portfolio of quoted Japanese companies. The number of investments in the portfolio will normally range between 80 and 150. The Company makes use of both long and short term borrowings to increase returns and focusses on first hand company research and analysis.

Investment Restrictions and Guidelines

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

- The Company must maintain 97.5% of investments in Japanese securities or securities providing an indirect investment in Japan. (30th September 2010: 100%).
- No investment to be more than 5% in excess of benchmark weighting at time of purchase.

- The Company does not normally invest in unquoted investments and to do so requires prior Board approval. (30th September 2010: None).
- The Company's gearing policy is to operate within a range of 95% to 115% invested in normal market conditions. (30th September 2010: 98.2%).
- The Company does not normally enter into derivative transactions and to do so requires prior Board approval. (30th September 2010: None).
- The Company will not invest more than 15% of its gross assets in other UK listed investment companies and will not invest more than 10% of its gross assets in companies that themselves may invest more than 15% of gross assets in UK listed investment companies. (30th September 2010: None).
- As an investment trust, the Company cannot invest more than 15% of its assets in any one investment, at the time of acquisition. (30th September 2010: 5.5%).

Compliance with the Board's investment restrictions and guidelines is monitored continuously by the Manager and is reported to the Board on a monthly basis.

Performance

In the year ended 30th September 2010, the Company produced a total return to shareholders of +3.9% and a total return on net assets of +3.7%. This compares with the return on the Company's benchmark of +0.9%. As at 30th September 2010, the value of the Company's investment portfolio was £300.5 million. The Investment Manager's Report on pages 4 to 6 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 £10.6 million (2009: £31.2 million) and net total return after deducting interest, management expenses, and taxation amounted to £7.3 million (2009: £28.3 million). Distributable income for the year amounted to £4.7 million (2009: £5.1 million). The Directors have declared a dividend of 2.8p (2009: 2.8p) per share. This dividend will absorb £4.5 million and the revenue reserve after allowing for the dividend will amount to £1.4 million.

Key Performance Indicators ('KPIs')

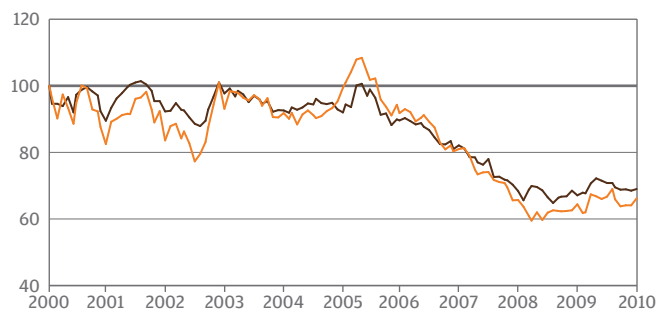
The Board uses a number of financial KPIs to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark**
This is the most important KPI by which performance is judged.

Directors' Report continued

Performance Relative to Benchmark Index

Figures have been rebased to 100 at 30th September 2000

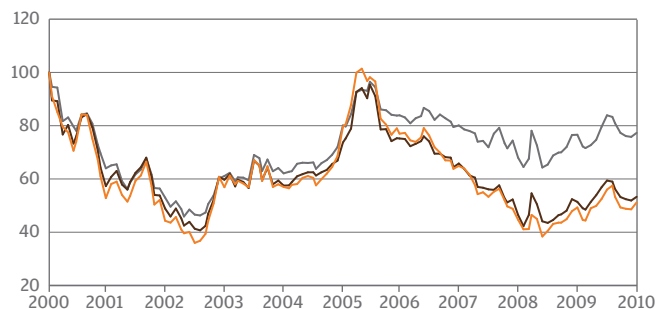


Source: Morningstar/Datastream.

- JPMorgan Japanese - Share price.
- JPMorgan Japanese - Net asset value.
- The benchmark index is represented by the grey horizontal line.

Ten Year Performance

Figures have been rebased to 100 at 30th September 2000



Source: Morningstar/Datastream.

- JPMorgan Japanese - Share price.
- JPMorgan Japanese - Net asset value.
- Benchmark.

- **Performance against the Company's peers**

The principal objective is to achieve capital growth relative to the benchmark. However, the Board also monitors the performance relative to a broad range of competitor funds.

- **Performance attribution**

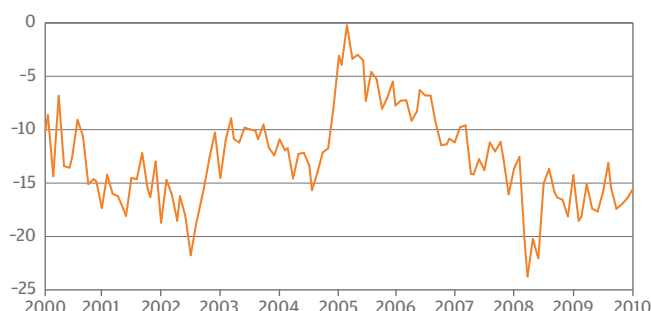
The purpose of performance attribution analysis is to assess how the Company achieved its performance relative to its benchmark index, i.e. to understand the impact on the Company's relative performance of the various components such as stock and sector allocation.

Details of the attribution analysis for the year ended 30th September 2010 are given in the Investment Manager's Report on page 5.

- **Share price discount to net asset value ('NAV')**

The Board has a share repurchase programme which seeks to address imbalances in supply of and demand for the Company's shares within the market. This minimises the volatility and absolute level of the discount to NAV at which the Company's shares trade in relation to its peers in the sector. In the year to 30th September 2010, the shares traded between a discount of 13.1% and 18.5%.

Discount Performance



Source: Datastream.

- JPMorgan Japanese - Discount.

- **Total expense ratio ('TER')**

The TER represents the Company's management fees and all other operating expenses excluding interest and VAT recoverable, expressed as a percentage of the average of the month end net assets during the year. The TER for the year ended 30th September 2010 was 0.81% (2009: 0.77%). The Board reviews each year an analysis which shows a comparison of the Company's TER and its main expenses with those of its peers.

Share Capital

During the year the Company repurchased 8,393,000 ordinary shares for cancellation, representing 4.9% of the Company's issued share capital at the beginning of the financial year, for a total consideration of £12,189,000. Since the end of the financial year, the Company has repurchased a further 140,000 ordinary shares for cancellation for a consideration of £229,000.

A resolution to renew the authority to repurchase shares will be put to shareholders at the forthcoming Annual General Meeting.

The Company did not issue any new shares during the year.

The Directors recommend a final dividend of 2.8p (2009: 2.8p) per share payable on 22nd December 2010 to holders on the register at the close of business on 3rd December 2010.

Principal Risks

With the assistance of the Manager, J.P. Morgan Asset Management (UK) Limited, ('JPMAM'), the Board has drawn up a risk matrix, which identifies the key risks to the Company. These key risks fall broadly under the following categories:

- **Investment and Strategy:** An inappropriate investment strategy, for example asset allocation or the level of gearing, may lead to under-performance against the Company's benchmark index and peer companies, resulting in the Company's shares trading on a wider discount. The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and reported by the Manager. JPMAM provides the Directors with timely and accurate management information, including performance data and attribution analyses, revenue estimates, liquidity reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the Investment Managers, who attend all Board meetings, and reviews data which shows statistical measures of the Company's risk profile. The Investment Manager employs the Company's gearing tactically, within a strategic range set by the Board. The Board holds a separate meeting devoted to strategy each year.
- **Market:** Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments in the face of negative market movements. The Board considers asset allocation, stock selection and levels of gearing on a regular basis and has set investment restrictions and guidelines which are monitored and reported on by JPMAM. The Board monitors the implementation and results of the investment process with the Investment Managers.
- **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 under 'Business of the Company' above. Should the Company breach Section 1158, it may lose 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 JPMAM

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. A breach of the Companies Act could result in the Company and/or the Directors being fined or the subject of criminal proceedings. Breach of the UKLA Listing Rules may result in the Company's shares being suspended from listing which in turn would breach Section 1158. The Board relies on the services of its Company Secretary, JPMAM, and its professional advisers to ensure compliance with The Companies Act 2006 and The United Kingdom Listing Authority Listing Rules.

- **Corporate Governance and Shareholder Relations:** Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report on pages 20 to 23.
- **Operational:** Disruption to, or failure of, JPMAM's accounting, dealing or payments systems or the custodian's records may prevent accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by JPMAM and its associates and the key elements designed to provide effective internal control are included within the Internal Control section of the Corporate Governance report on pages 22 and 23.
- **Financial:** The financial risks faced by the Company are disclosed in note 21 on pages 41 to 47.

Future Developments

The future development of the Company is dependent upon the success of the Company's investment strategy in the light of economic and equity market developments. The Investment Manager discusses the outlook in his report on pages 4 to 6.

Management of the Company

JPMorgan Asset Management (UK) Limited is employed as Manager and secretary to the Company 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.

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

The Board has thoroughly reviewed the performance of JPMAM in the course of the year. The review covered the

Directors' Report continued

performance of the Manager, its management processes, investment style, resources and risk controls. The Board is of the opinion that the continuing appointment of the Manager is in the interests of shareholders. Such a review is carried out on an annual basis.

With effect from 1st December 2007, the Board and the Manager agreed that day-to-day investment management activity would be conducted in Tokyo by Jardine Fleming Asset Management, a fellow investment management subsidiary and part of JPMorgan Chase Bank.

Management Fee

The fixed basic annual management fee, negotiated in 2005, is a sliding scale based on the Company's net assets.

Net assets	Fee level
First £465 million under management	0.65%
£465 million to £930 million under management	0.485%
Over £930 million under management	0.40%

The management fee includes a contribution towards JPMAM's general marketing and client administration costs.

If the Company invests in funds managed or advised by JPMAM, or any of its associated companies, those investments are excluded from the calculation of the fixed basic annual management fee.

Going Concern

The Directors believe that having considered the Company's investment objective (see page 15), risk management policies (see pages 41 to 47), capital management policies and procedures (see page 48), the nature of the portfolio and expenditure projections that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider that there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Payment Policy

It is the Company's policy to obtain the best terms for all business and therefore there are no standard payment terms. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by these terms. As at 30th September 2010, the Company had no outstanding trade creditors (2009: Nil).

Directors

The Directors of the Company who held office at the end of the year, together with their beneficial interests in the Company's shares are shown below:

	30th September 2010	1st October 2009 or at date of appointment
Alan Barber	5,300	5,300
Andrew Fleming	1,500	1,500
Jeremy Paulson-Ellis	9,000	1,500
David Pearson	4,904	1,693
Keith Percy	1,500	1,500

Keith Percy purchased 3,000 shares between the year end and the date of this report.

In accordance with the Company's Articles of Association the Director retiring by rotation at the forthcoming Annual General Meeting will be Alan Barber. Jeremy Paulson-Ellis, having been a Director for more than nine years, also stands for re-election.

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.

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:

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

The above confirmation is given and should be interpreted in accordance with the provision of Section 418(2) of the Companies Act 2006.

Section 992 Companies Act 2006

The following disclosures are made in accordance with Section 992 Companies Act 2006.

Capital Structure

The Company's capital structure is summarised on the inside front cover of this report.

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 15 to the Notice of AGM on page 52.

Notifiable Interests in the Company's Voting Rights

At the date of this report, the following had declared a notifiable interest in the Company's voting rights:

Shareholders	Number of shares held	%
Lazard Asset Management	22,630,759	14.0
1607 Capital Partners	17,921,698	11.1
J.P. Morgan Asset Management	14,145,005	8.8
Legal & General	6,385,133	4.0

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

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 which the Company is party to that affect its control following a takeover bid; and no agreements between the Company and its Directors concerning compensation for loss of office.

Independent Auditors

Begbies Chettle Agar have expressed their willingness to continue in office as Auditors to the Company and a resolution proposing their re-appointment, and to authorise the Directors to determine their remuneration for the ensuing year, will be put to shareholders at the Annual General Meeting.

Annual General Meeting

NOTE: THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor or other financial advisor authorised under the Financial Services and Markets Act 2000.

Resolutions relating to the following item of special business will be proposed at the forthcoming Annual General Meeting:

(i) Authority to allot new shares and to disapply statutory pre-emption rights (resolutions 7 and 8)

The Directors will seek renewal of the authority at the Annual General Meeting to issue up to 8,065,900 new ordinary shares for cash up to an aggregate nominal amount of £2,016,475 such amount being equivalent to 5% of the present issued share capital. The full text of the resolutions is set out in the Notice of Meeting on page 50.

It is advantageous for the Company to be able to issue new shares (or to sell Treasury shares) to participants purchasing shares through the JPMorgan savings products and also to other investors when the Directors consider that it is in the best interests of shareholders to do so. As such issues are only made at prices greater than the net asset value (the 'NAV'), they increase the NAV per share and spread the Company's administrative expenses, other than the management fee which is charged on the value of the Company's assets, over a greater number of shares. The issue proceeds are available for investment in line with the Company's investment policies.

(ii) Authority to repurchase the Company's Shares (resolution 9)

The authority to repurchase up to 14.99% of the Company's issued share capital, granted by shareholders at the 2009 Annual General Meeting, will expire on 20th June 2011 unless renewed at the forthcoming Annual General Meeting.

The Directors consider that the renewal of the authority is in the interests of shareholders as a whole as the repurchase of shares at a discount to their underlying net asset value ('NAV') would enhance the NAV of the remaining shares. The Directors therefore recommend that shareholders vote in favour of this resolution.

The full text of the resolution is set out in the Notice of Meeting on pages 50 and 51. Repurchases will be made at the discretion

Directors' Report continued

of the Board, and will only be made in the market at prices below the prevailing net asset value per share as and when market conditions are appropriate.

Recommendation

The Board considers that resolutions 7 to 9 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 in respect of their own beneficial holdings which amount in aggregate to 25,204 shares representing approximately 0.01% of the voting rights of the Company.

Corporate Governance

Compliance

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 25, indicates how the Company has applied the principles of good governance of the Financial Reporting Council Combined Code (the 'Combined Code') and the AIC's Code of Corporate Governance (the 'AIC Code'), which complements the Combined Code and provides a framework of best practice for investment trusts.

The Board is responsible for ensuring the appropriate level of Corporate Governance and considers that the Company has complied with the best practice provisions of the Combined Code, insofar as they are relevant to the Company's business, and the AIC Code throughout the year under review.

Role of the Board

A management agreement between the Company and JPMAM sets out the matters over which the Manager has authority. 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 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.

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 in the furtherance of their duties 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, JPMAM, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board consists of five non-executive Directors, all of whom are regarded by the Board as independent of the Company's Manager, including the Chairman.

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. As the Board comprises entirely of non-executive Directors, the appointment of a senior independent director is not considered necessary. However, the Chairman of the Audit Committee leads the evaluation of the performance of the Chairman and is available to shareholders if they have concerns that cannot be resolved through discussion with the Chairman.

Tenure

Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, Directors are required to submit themselves for re-election at least every three years. The Chairman will meet with each Director before the Director is proposed for re-election, and subject to the evaluation of performance carried out each year, the Board will agree whether it is appropriate for the director to seek an additional term. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board will take into account the requirements of the Combined Code, including the need to refresh the Board and its Committees.

Any Directors with more than nine years service will be required to submit themselves annually for re-election. In this regard, the Board recommends the re-election of

Jeremy Paulson-Ellis who, having served in excess of nine years, retires at this year's AGM. Jeremy Paulson-Ellis has a wealth of experience in the financial sector and makes an invaluable contribution to the workings of the Board and, as Chairman, continues to demonstrate effective leadership of the Company.

Meetings and Committees

The Board delegates certain responsibilities and functions to committees. Details of membership of committees are shown with Directors' profiles on page 14.

The table below lists the number of Board and Committee meetings attended by each Director. During the year there were five Board meetings, in addition to a meeting devoted to strategy, two Audit Committee meetings and a meeting of the Nomination and Remuneration Committee. In addition there is regular contact between the Directors and the Manager and Company Secretary throughout the year.

Director	Board Meetings Attended	Audit Committee Meetings Attended	Nomination and Remuneration Committee Meetings Attended
Alan Barber	4	2	–
Andrew Fleming	5	2	1
Jeremy Paulson-Ellis	5	2	1
David Pearson	5	2	1
Keith Percy	5	2	1

Training and Appraisal

On appointment the Manager and Company Secretary provide all Directors with induction training. Thereafter regular briefings are provided on changes in regulatory requirements that could affect the Company and Directors. Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trusts.

The Board has agreed a procedure for the formal evaluation of its own performance and of that of its committees and individual Directors. The evaluation of individual Directors is led by the Chairman, and the Chairman of the Audit Committee leads the evaluation of the Chairman's performance. The Board as a whole evaluates its own performance and that of its committees.

Board Committee

Nomination and Remuneration Committee

The Board has established a Nomination and Remuneration Committee, which consists of the entire Board, and which meets at least annually to ensure that the Board has a 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 is considered.

The Committee undertakes an annual performance evaluation to ensure that all members of the Board have devoted sufficient time and contributed adequately to the work of the Board. The Committee also reviews Directors' fees and makes recommendations to the Board as and when required.

Audit Committee

The Audit Committee chaired by Alan Barber and whose membership is set out on page 14 meets at least twice each year. The members of the Audit Committee consider that they have the requisite skills and experience to fulfil the responsibilities of the Committee. The Committee reviews the actions and judgements of management in relation to the half year and annual accounts and the Company's compliance with the Combined Code. It reviews the terms of the management agreement and examines the effectiveness of the Company's internal control systems, receives information from the Manager's compliance department and also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors; in the Directors' opinion the auditors are considered independent. Representatives of the Company's auditors attend the Audit Committee meeting at which the draft annual report and accounts are considered. The Directors' statement on the Company's system of internal control is set out below.

Terms of Reference

The terms of reference for the Nomination and Remuneration and Audit Committees copies of which are available for inspection on the Company's website, on request at the Company's registered offices and at the Annual General Meeting.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full

Directors' Report continued

understanding of the Company's activities and performance and reports formally to shareholders quarterly each year by way of the annual report and accounts, the half year report and two interim management statements. This is supplemented by the daily publication, through the London Stock Exchange, of the net asset value of the Company's shares.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are available to meet shareholders and answer their questions. In addition, a presentation is given by the Investment Managers who review the Company's performance. During the year the Company's brokers, the Investment Managers and JPMAM hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries. The Directors may be contacted through the Company Secretary whose details are shown on page 57.

The Company's Annual Report and Accounts is published in time to give shareholders at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to submit questions via the Company's website or write to the Company Secretary at the address shown on page 57.

Details of the proxy voting position on each resolution will be published on the Company web site shortly after the Annual General Meeting.

Internal Control

The Combined Code requires the Directors, at least annually, to review the effectiveness of the Company's system of internal control and to report to shareholders that they have done so. 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 internal control 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 JPMAM and its associates, the Company's system of internal control mainly comprises monitoring the services provided by JPMAM and its associates, including the operating controls established by them, to ensure they meet the Company's business objectives. The Company does not have an internal audit function of its own, but relies on the internal audit department of JPMAM.

The key elements designed to provide effective internal control 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 Agreement – Appointment of a manager and custodian regulated by the Financial Services Authority (FSA), whose responsibilities are clearly defined in a written agreement.

Management Systems – The Manager's system of internal control includes organisational agreements which clearly define the lines of responsibility, delegated authority, control procedures and systems. These are monitored by JPMAM's compliance department which regularly monitors compliance with FSA rules.

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 internal control 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 JPMAM's compliance department;
- reviews reports on the internal controls and the operations of its custodian, JPMorgan Chase Bank, which is itself independently reviewed; and

- reviews every six months an independent report on the internal controls and the operations of JPMAM.

By the means of the procedures set out above, the Board confirms that it has reviewed the effectiveness of the Company's system of internal control for the year ended 30th September 2010, and to the date of approval of this Annual Report and Accounts.

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 JPMAM. The following is a summary of JPMAM's policy statements on corporate governance, voting policy and social and environmental issues, which has been reviewed and noted by the Board.

Corporate Governance

JPMAM 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 manages the voting rights of the shares entrusted to it as it would manage any other asset. It is the policy of JPMAM 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 recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, we support the introduction of the FRC Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. Under the Code, managers should:

- publicly disclose their policy on how they will discharge their stewardship responsibilities to their clients;
- disclose their policy on managing conflicts of interest;
- monitor their investee companies;
- establish clear guidelines on how they escalate engagement;

- be willing to act collectively with other investors where appropriate;
- have a clear policy on proxy voting and disclose their voting record; and
- report to clients.

JPMAM endorses the Stewardship Code for its UK investments and supports the principles as best practice elsewhere. We believe that regular contact with the companies in which we invest is central to our investment process and we also recognise the importance of being an 'active' owner on behalf of our clients.

Social & Environmental

JPMAM believes that companies should act in a socially responsible manner. Although our priority at all times is the best economic interests of our clients, we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies. Specialists within JPMAM's environmental, social and governance ('ESG') team are tasked with assessing how companies deal with and report on social and environmental risks and issues specific to their industry. This analysis is then used to identify outliers which require further engagement.

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. Our detailed approach to how we implement the principles is available on request. JPMAM is also a signatory to Carbon Disclosure Project. JPMorgan Chase is a signatory to the Equator Principles on managing social and environmental risk in project finance.

JPMAM's Voting Policy and Corporate Governance Guidelines are available on request from the Company Secretary or can be downloaded from JPMAM's website: <http://www.jpmorganassetmanagement.co.uk/Institutional/CommentaryAndAnalysis/CorporateGovernance>, which also sets out its approach to the seven principles of the FRC Stewardship Code, its policy relating to conflicts of interest and its detailed voting record.

By order of the Board
AK Norman, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
19th November 2010

Directors' Remuneration Report

The Board has prepared this Report in accordance with the requirements of Section 421 of the Companies Act 2006. An ordinary resolution to approve this Report will be put to shareholders at the forthcoming Annual General Meeting.

The law requires the Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on page 26.

Directors' Remuneration¹

Directors' Name	2010 £	2009 £
Jeremy Paulson-Ellis	25,000	25,000
Alan Barber	20,000	20,000
Andrew Fleming	17,500	17,500
Keith Percy	17,500	17,500
David Pearson	17,500	17,500
Total	97,500	97,500

¹Audited information.

Directors' fees for the year were paid at a fixed rate of £25,000 per annum for the Chairman, £20,000 per annum for the Chairman of the Audit Committee and £17,500 per annum for each other Director. The Directors have agreed to increase their fees to £30,000 for the Chairman, £25,000 for the Chairman of the Audit Committee and £20,000 for the other Directors with effect from 1st October 2010. Fees were last increased with effect from 1st October 2005.

All Directors' fees were paid to Directors and none to third parties.

The Directors' fees are not performance-related. Any increase in the aggregate fee level of £125,000 per annum requires both Board and shareholder approval.

The Board reviews fees on a regular basis. Reviews are based on information provided by the Manager, JPMorgan Asset Management (UK) Limited, and industry research, on the level of fees paid to the directors of the Company's peers and within the investment trust industry generally.

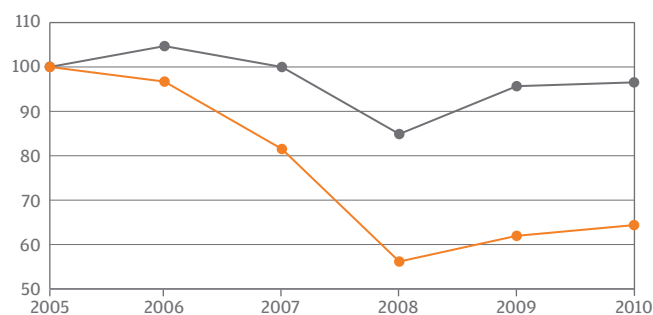
Directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter, a Director's appointment will run for a three year

term. A Director may then be invited by the Board to serve for a further three years. A Director's continuing appointment is subject to re-election by shareholders on retirement by rotation in accordance with the Company's Articles of Association, which require that one third of the Board must retire by rotation each year.

The Company does not operate any type of incentive 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 paid compensation for loss of office. No other payments are made to Directors, other than the reimbursement of reasonable out-of-pocket expenses incurred in connection with attending the Company's business.

A graph showing the Company's share price total return compared with its benchmark, the Tokyo Stock Exchange 1st Section (TOPIX) Index expressed in sterling terms, over the last five years is shown below.

Five Year Share Price and Benchmark Total Return Performance to 30th September 2010



Source: Morningstar/Datastream.

— Share price total return.
— Benchmark.

By order of the Board
AK Norman, for and on behalf of
JPMorgan Asset Management (UK) Limited,
Secretary
19th November 2010

Directors' Responsibilities in Respect of the Accounts

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper 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. They 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 accounts are published on the www.jpmmjapanese.co.uk website, which is maintained by the Company's Manager, JPMorgan Asset Management (UK) Limited ('JPMAM'). The maintenance and integrity of the website maintained by JPMAM is, so far as it relates to the Company, the responsibility of JPMAM. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. The financial statements are prepared in accordance with UK legislation, which may differ from legislation in other jurisdictions.

Statement under the Disclosure & Transparency Rules 4.1.12

The Directors each confirm to the best of their knowledge that:

- (a) the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Law), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- (b) this Annual 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.

For and on behalf of the Board
Jeremy Paulson-Ellis,
Chairman
19th November 2010

Independent Auditors' Report

To the Members of JPMorgan Japanese Investment Trust plc

We have audited the financial statements of JPMorgan Japanese Investment Trust plc for the year ended 30th September 2010 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. We have also audited the information in the Directors' Remuneration Report that is described as having been audited. The reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters that 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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 25, the Directors are responsible for preparing the financial statements and the Directors' Remuneration Report and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30th September 2010 and of its net return for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- have been prepared in accordance with the Companies Act 2006.

Opinion 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; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records or 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 18, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Jeremy Staines (Senior Statutory Auditor)

For and on behalf of
Begbies Chettle Agar
Chartered Accountants and Statutory Auditors
Epworth House
25 City Road
London

19th November 2010

Income Statement

for the year ended 30th September 2010

	Notes	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
Gains on investments held at fair value through profit or loss							
	2	–	8,318	8,318	–	26,724	26,724
Net foreign currency losses		–	(3,862)	(3,862)	–	(3,077)	(3,077)
Income from investments	3	6,132	–	6,132	7,357	–	7,357
Other interest receivable and similar income	3	6	–	6	239	–	239
Gross return		6,138	4,456	10,594	7,596	23,647	31,243
Management fee	4	(403)	(1,613)	(2,016)	(379)	(1,516)	(1,895)
VAT recoverable	4	–	–	–	345	3	348
Other administrative expenses	5	(505)	–	(505)	(441)	–	(441)
Net return on ordinary activities before finance costs and taxation		5,230	2,843	8,073	7,121	22,134	29,255
Finance costs	6	(75)	(301)	(376)	(88)	(350)	(438)
Net return on ordinary activities before taxation		5,155	2,542	7,697	7,033	21,784	28,817
Taxation	7	(429)	–	(429)	(1,955)	1,440	(515)
Net return on ordinary activities after taxation		4,726	2,542	7,268	5,078	23,224	28,302
Return per share	9	2.91p	1.56p	4.47p	2.96p	13.54p	16.50p

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 Total column represents all the information that is required to be disclosed in a Statement of Total Recognised Gains and Losses ('STRGL'). For this reason a STRGL has not been presented.

The notes on pages 31 to 48 form an integral part of these accounts.

Reconciliation of Movements in Shareholders' Funds

	Called up share capital £'000	Other reserve £'000	Capital redemption reserve £'000	Capital reserves £'000	Revenue reserve £'000	Total £'000
At 30th September 2008	43,500	166,791	5,462	76,687	5,653	298,093
Repurchase and cancellation of the Company's own shares	(1,037)	–	1,037	(5,878)	–	(5,878)
Net return on ordinary activities	–	–	–	23,224	5,078	28,302
Dividends appropriated in the year	–	–	–	–	(4,840)	(4,840)
At 30th September 2009	42,463	166,791	6,499	94,033	5,891	315,677
Repurchase and cancellation of the Company's own shares	(2,098)	–	2,098	(12,189)	–	(12,189)
Net return on ordinary activities	–	–	–	2,542	4,726	7,268
Dividends appropriated in the year	–	–	–	–	(4,650)	(4,650)
At 30th September 2010	40,365	166,791	8,597	84,386	5,967	306,106

The notes on pages 31 to 48 form an integral part of these accounts.

Balance Sheet

at 30th September 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investments held at fair value through profit or loss	10	300,515	339,669
Current assets			
Debtors	11	2,439	8,230
Cash and short term deposits		3,259	23,577
		5,698	31,807
Creditors: amounts falling due within one year	12	(107)	(55,799)
Net current assets/(liabilities)		5,591	(23,992)
Total assets less current liabilities		306,106	315,677
Total net assets		306,106	315,677
Capital and reserves			
Called up share capital	13	40,365	42,463
Other reserve	14	166,791	166,791
Capital redemption reserve	14	8,597	6,499
Capital reserves	14	84,386	94,033
Revenue reserve	14	5,967	5,891
Shareholders' funds		306,106	315,677
Net asset value per share	15	189.6p	185.9p

The accounts on pages 27 to 48 were approved and authorised for issue by the Directors on 19th November 2010 and were signed on their behalf by:

Jeremy Paulson-Ellis
Chairman

The notes on pages 31 to 48 form an integral part of these accounts.

Company registration number: 223583

Cash Flow Statement

for the year ended 30th September 2010

	Notes	2010 £'000	2009 £'000
Net cash inflow from operating activities	16	3,072	5,508
Returns on investments and servicing of finance			
Interest paid		(381)	(447)
Capital expenditure and financial investment			
Purchases of investments		(229,559)	(478,664)
Sales of investments		280,860	474,938
Other capital charges		(13)	(10)
Net cash inflow/(outflow) from capital expenditure and financial investment		51,288	(3,736)
Dividend paid		(4,650)	(4,840)
Net cash inflow/(outflow) before financing		49,329	(3,515)
Financing			
Net repayment of loans		(56,165)	(13,704)
Repurchase and cancellation of the Company's own shares		(13,410)	(4,695)
Net cash outflow from financing		(69,575)	(18,399)
Decrease in cash and cash equivalents	17	(20,246)	(21,914)

The notes on pages 31 to 48 form an integral part of these accounts.

Notes to the Accounts

for the year ended 30th September 2010

1. Accounting policies

(a) Basis of accounting

The accounts are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the AIC in January 2009. They have also been prepared on the assumption that approval as an investment trust will continue to be granted.

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

The accounts have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments and derivative financial instruments at fair value.

The policies applied in these accounts are consistent with those applied in the preceding year. There has been an amendment to FRS 29 in respect of fair value disclosures and the details of this are given in note 20 on page 41.

(b) Valuation of investments

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

Gains and losses on sales of investments, exchange differences of a capital nature, and other capital receipts and payments, are dealt with in capital reserves within 'Gains and losses on sales of investments'. Increases and decreases in the valuation of investments held at the year end are accounted for in capital reserves within 'Holding gains and losses on investments'. Unrealised foreign exchange gains and losses on loans on accounted for in capital reserves within 'Capital reserve unrealised'.

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

(c) Income

Dividends receivable from equity shares are included in income 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 shown gross of any withholding tax.

Interest receivable from debt securities together with any premiums or discounts on purchase are allocated to the revenue column of the income statement on a time apportionment basis so as to reflect the effective interest rate of those securities.

Stock lending income and interest receivable on deposits is taken to revenue on an accruals basis

(d) Expenses

All expenses are accounted for on an accruals basis. Expenses are allocated wholly to revenue with the following exceptions:

- management fees are allocated 20% to revenue and 80% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.
- expenses incidental to the purchase and sale of an investment are charged to capital. These expenses are commonly referred to as transaction costs and comprise mainly brokerage commission. Details of transaction costs are given in note 10 on page 37.

Notes to the Accounts continued

1. Accounting policies continued

(e) Finance costs

Finance costs are accounted for on an accruals basis and in accordance with the provisions of FRS 25: 'Financial Instruments: Presentation' and FRS 26: 'Financial Instruments: Measurement'.

Finance costs are allocated 20% to revenue and 80% to capital in line with the Board's expected long term split of revenue and capital return from the Company's investment portfolio.

(f) Financial instruments

Cash and short term deposits may comprise cash and demand deposits which are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

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

Interest bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance costs, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method.

(g) Foreign currency

In accordance with FRS 23: 'The effects of changes in Foreign Currency Exchange Rates' the Company is required to nominate a functional currency, being the currency in which the Company predominantly 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 the functional currency to be sterling. Sterling is also the currency in which the accounts are presented.

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 on monetary assets from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue or capital, depending on whether the gain or loss is of a revenue or capital nature. Gains and losses on investments arising from a change in exchange rates are included in the Income statement within 'Gains or losses on investments held at fair value through profit or loss' and charged or credited to capital reserves.

(h) Taxation

Deferred tax is accounted for in accordance with FRS 19: 'Deferred Tax'.

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.

Tax relief is allocated to expenses charged to capital on the 'marginal basis'. On this basis, if taxable income is capable of being entirely offset by revenue expenses, then no tax relief is transferred to capital.

(i) Dividends

In accordance with FRS 21: 'Events after the Balance Sheet Date', dividends payable are included in the accounts in the year in which they are approved by shareholders.

(k) Repurchases of the Company's own shares for cancellation

The costs of repurchasing the Company's own shares for cancellation, including the related stamp duty and transaction costs are charged to Capital Reserves and dealt with in the Reconciliation of Movements in Shareholders' Funds. Share repurchase transactions are accounted for on a trade date basis. The nominal value of share capital repurchased and cancelled is transferred out of called up Share Capital and into Capital Redemption Reserve.

	2010 £'000	2009 £'000
2. Gains on investments held at fair value through profit or loss		
Gains/(losses) on investments held at fair value through profit or loss based on historical cost	19,967	(35,194)
Amounts recognised as investment holding gains and losses in the previous year in respect of investments sold during the year	(14,329)	34,375
Gains/(losses) on sales of investments based on the carrying value at the previous balance sheet date	5,638	(819)
Net movement in investment holding gains and losses	2,693	27,556
Other capital charges	(13)	(13)
Total capital gains on investments held at fair value through profit or loss	8,318	26,724

	2010 £'000	2009 £'000
3. Income		
Income from investments		
Dividends from investments listed overseas	6,132	7,357
Other interest receivable and similar income		
Deposit interest	6	16
Stock lending fees	—	72
Interest on VAT recoverable ¹	—	151
	6	239
Total income	6,138	7,596

¹This represents interest on VAT recovered relating to management fees paid in the past.

Notes to the Accounts continued

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
4. Management fee						
Management fee ¹	403	1,613	2,016	379	1,516	1,895
VAT recoverable ²	–	–	–	(345)	(3)	(348)
	403	1,613	2,016	34	1,513	1,547

¹Details of the management fee are given in the Directors' Report on page 18.

²This represents VAT relating to management fees paid in the past, following HM Revenue & Customs' acceptance in 2007 that VAT was not chargeable on investment trust management fees.

	2010 £'000	2009 £'000
5. Other administrative expenses		
Other administration expenses	385	321
Directors' fees ¹	98	98
Auditors' remuneration for audit services ²	22	22
	505	441

¹Full disclosure is given in the Directors' Remuneration Report on page 24.

²No other payments were made to the auditors (2009: same).

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
6. Finance costs						
Interest on bank loans and overdrafts	75	301	376	88	350	438

7. Taxation

(a) Analysis of tax charge for the year

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
UK corporation tax at 28% (2009: 28%) ¹	–	–	–	510	–	510
Double taxation relief	–	–	–	(510)	–	(510)
Overseas withholding tax	429	–	429	515	–	515
Tax attributable to expenses charged to capital ²	–	–	–	1,440	(1,440)	–
Current tax charge for the year	429	–	429	1,955	(1,440)	515

¹Following changes introduced by the 2009 Finance Act, overseas dividends are no longer chargeable to corporation tax. Therefore, the Company no longer needs to use double taxation relief to eliminate a potential corporation tax liability.

²No tax relief is allocated to expenses charged to capital in the current year as taxable income is capable of being entirely offset by revenue expenses.

(b) Factors affecting the current tax charge for the year

The tax assessed for the year is lower (2009: lower) than the standard rate of corporation tax in the UK of 28%. The factors affecting the current tax charge for the year are as follows:

	Revenue £'000	2010 Capital £'000	Total £'000	Revenue £'000	2009 Capital £'000	Total £'000
Net return on ordinary activities before taxation	5,155	2,542	7,697	7,033	21,784	28,817
Net return on ordinary activities before taxation multiplied by the Company's applicable rate of corporation tax of 28% (2009: 28%)	1,443	712	2,155	1,969	6,100	8,069
Effects of:						
Non taxable overseas dividends	(1,717)	–	(1,717)	(822)	–	(822)
Non taxable capital returns	–	(1,248)	(1,248)	–	(6,621)	(6,621)
Tax relief on capitalised expenses	(536)	536	–	(521)	521	–
Overseas withholding tax	429	–	429	515	–	515
Double taxation relief	–	–	–	(510)	–	(510)
Income taxed in different periods	–	–	–	803	–	803
Unutilised expenses carried forward to future periods	810	–	810	–	–	–
Prior year charges utilised	–	–	–	(919)	–	(919)
Tax attributable to expenses charged to capital	–	–	–	1,440	(1,440)	–
Current tax charge for the year	429	–	429	1,955	(1,440)	515

Notes to the Accounts continued

7. Taxation continued

(b) Factors affecting the current tax charge for the year continued

The Company has an unrecognised deferred tax asset of £3,720,000 (2009: £3,048,000) based on a prospective corporation tax rate of 27% (2009: 28%). The Finance Act 2010 which provides for a reduction in the main rate of corporation tax from 28% to 27% effective from 1st April 2011, was substantially enacted on 21st July 2010. The Government has also indicated that it intends to enact future reductions in the main tax rate of 1% each year down to 24% by 1st April 2014. The deferred tax asset has arisen because cumulative deductible expenses have exceeded taxable income over the life of the Company. This asset may be utilised in future years where there is an excess of taxable income over deductible expenses. A deferred tax asset has not been recognised in the accounts as it is not likely that this asset will be utilised in the foreseeable future.

Given 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.

8. Dividends

(a) Dividends paid and proposed

	2010 £'000	2009 £'000
Dividend paid 2009 final dividend of 2.8p (2008: 2.8p)	4,650	4,840
Dividend proposed 2010 final dividend of 2.8p (2009: 2.8p)	4,521	4,756

The final dividend proposed in respect of the year ended 30th September 2009 amounted to £4,756,000. However, the amount actually paid was £4,650,000 due to shares repurchased and cancelled after the balance sheet date but prior to the share register dividend record date.

The final dividend proposed in respect of the year ended 30th September 2010 is subject to approval at the forthcoming Annual General Meeting. In accordance with the accounting policy of the Company, this dividend will be reflected in the accounts for the year ending 30th September 2011.

(b) Dividend for the purposes of Section 1158 of the Corporation Tax Act 2010 ("S1158")

The proposed dividend of £4,521,000 (2009: £4,756,000) is the amount on which the requirements of S1158 are considered. The revenue available for distribution by way of dividend is £4,726,000 (2009: £5,078,000).

9. Return/(loss) per share

The revenue return per share is based on the revenue earnings attributable to the ordinary shares of £4,726,000 (2009: £5,078,000) and on the weighted average number of shares in issue throughout the year of 162,661,550 (2009: 171,541,388).

The capital return per share is based on the capital earnings attributable to the ordinary shares of £2,542,000 (2009: £23,224,000) and on the weighted average number of shares in issue throughout the year of 162,661,550 (2009: 171,541,388).

The total return per share is based on the total earnings attributable to the ordinary shares of £7,268,000 (2009: £28,302,000) and on the weighted average number of shares in issue throughout the year of 162,661,550 (2009: 171,541,388).

	2010 £'000	2009 £'000
10. Investments		
Investments listed on a recognised investment exchange	300,515	339,669
Opening book cost	317,841	361,985
Opening investment holding gains/(losses)	21,828	(40,103)
Opening valuation	339,669	321,882
Movements in the year:		
Purchases at cost	227,432	465,703
Sales - proceeds	(274,917)	(474,653)
Gains/(losses) on sales of investments based on the carrying value at the previous balance sheet date	5,638	(819)
Net movement in investment holding gains and losses	2,693	27,556
	300,515	339,669
Closing book cost	290,323	317,841
Closing investment holding gains	10,192	21,828
Total investments held at fair value	300,515	339,669

Transaction costs on purchases during the year amounted to £145,000 (2009: £310,000) and on sales during the year amounted to £174,000 (2009: £312,000). These costs comprise mainly brokerage commission.

During the year, prior year investment holding gains amounting to £14,329,000 have been transferred to gains on sales of investments as disclosed in note 14 on page 39.

	2010 £'000	2009 £'000
11. Current assets		
Debtors		
Securities sold awaiting settlement	–	5,943
Dividends and interest receivable	2,394	2,257
Other debtors	45	30
	2,439	8,230

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

Cash and short term deposits

Cash and short term deposits comprises bank balances and short term deposits. The carrying amount of these represents their fair value. Cash balances in excess of a predetermined amount are placed on short term deposit at market rates of interest.

Notes to the Accounts continued

	2010 £'000	2009 £'000
12. Creditors: amounts falling due within one year		
Bank loans	–	52,375
Securities purchased awaiting settlement	–	2,127
Other creditors and accruals	107	76
Repurchase of the Company's own shares awaiting settlement	–	1,221
	107	55,799

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

The £52.4 million bank loan at 30th September 2009 represents a short term Yen denominated loan drawn down on the Company's facility with Lloyds TSB. Further details of the Company's loan facility are given in note 21 on page 44.

	2010 £'000	2009 £'000
13. Called up share capital		
Allotted and fully paid Shares of 25p each		
Opening balance of 169,851,078 (2009: 174,001,919) shares	42,463	43,500
Repurchase of 8,393,000 (2009: 4,150,841) shares for cancellation	(2,098)	(1,037)
Closing balance ¹	40,365	42,463

¹Represented by 161,458,078 (2009: 169,851,078) shares of 25p each.

During the year, the Company repurchased 8,393,000 shares, nominal value £2,098,000, for cancellation, representing 5.0% of the issued shares at the beginning of the year, for a total consideration of £12,189,000. The reason for the purchases was to minimise the volatility and absolute level of the discount to NAV at which the Company's shares trade in relation to its peers.

	Other reserve £'000	Capital redemption reserve £'000	Capital reserves			Revenue reserve £'000
			Gains and losses on sales of investments £'000	Holding gains and losses on investments £'000	Capital reserve - unrealised £'000	
14. Reserves						
Opening balance	166,791	6,499	79,730	21,828	(7,525)	5,891
Realised exchange losses on cash and short term deposits	-	-	(72)	-	-	-
Realised exchange losses on repayment of foreign currency loans	-	-	(3,790)	-	-	-
Gains on sales of investments based on the carrying value at the previous balance sheet date	-	-	5,638	-	-	-
Net movement in investment holding gains and losses	-	-	-	2,693	-	-
Transfer on disposal of investments	-	-	14,329	(14,329)	-	-
Repurchase and cancellation of the Company's own shares	-	2,098	(12,189)	-	-	-
Management fee and finance costs charged to capital	-	-	(1,914)	-	-	-
Transfer of unrealised exchange losses on foreign currency loans repaid in the year	-	-	(7,525)	-	7,525	-
Other capital charges	-	-	(13)	-	-	-
Net revenue for the year	-	-	-	-	-	4,726
Dividends appropriated in the year	-	-	-	-	-	(4,650)
Closing balance	166,791	8,597	74,194	10,192	-	5,967

15. Net asset value per share

The net asset value per share is based on the net assets attributable to the ordinary shareholders of £306,106,000 (2009: £315,677,000) and on the 161,458,078 (2009: 169,851,078) shares in issue at the year end.

	2010 £'000	2009 £'000
16. Reconciliation of total return on ordinary activities before finance costs and taxation to net cash inflow from operating activities		
Net total return on ordinary activities before finance costs and taxation	8,073	29,255
Capital return before finance costs and taxation	(2,843)	(22,134)
(Increase)/decrease in accrued income	(137)	409
(Increase)/decrease in other debtors	(15)	5
Increase in accrued expenses	36	4
Overseas taxation	(429)	(515)
Management fee charged to capital	(1,613)	(1,516)
Net cash inflow from operating activities	3,072	5,508

Notes to the Accounts continued

	At 30th September 2009 £'000	Cash flow £'000	Other movements £'000	At 30th September 2010 £'000
17. Analysis of changes in net (debt)/funds				
Cash and short term deposits	23,577	(20,246)	(72)	3,259
Bank loans falling due within one year	(52,375)	56,165	(3,790)	–
Net (debt)/funds	(28,798)	35,919	(3,862)	3,259

18. Contingent liabilities and capital commitments

There were no contingent liabilities or capital commitments at the balance sheet date (2009: £nil).

19. Transactions with the Manager

Details of the management contract are set out in the Directors' Report on pages 17 and 18. The management fee payable to JPMorgan Asset Management (UK) Limited ('JPMAM') for the year was £2,016,000 (2009: £1,895,000) of which £nil (2009: £nil) was outstanding at the year end.

Included in other management expenses in note 5 on page 34 are safe custody fees amounting to £52,000 (2009: £44,000) payable to JPMorgan Chase as custodian of the Company of which £13,000 (2009: £nil) was outstanding at the year end.

JPMAM carries out some of its dealing transactions through group subsidiaries. These transactions are carried out at arms' length. The commission payable to JPMorgan Securities for the year was £29,000 (2009: £78,000) of which £nil (2009: £nil) was outstanding at the year end.

Handling charges payable on dealing transactions undertaken by overseas sub custodians on behalf of the Company during the year amounted to £13,000 (2009: £13,000) of which £4,000 (2009: £4,000) was outstanding at the year end.

At the year end, a bank balance of £3,259,000 (2009: £820,000) was held with JPMorgan Chase. A net amount of interest of £6,000 (2009: £16,000) was receivable by the Company during the year from JPMorgan Chase of which £1,000 was outstanding at the year end.

The Company had an unsettled spot currency contract with JPMorgan Securities at the year end, on which the unrealised gain or loss was £nil, giving a fair value of £nil.

No stock lending fees (2009: £72,000) were receivable during the year. JPMAM commissions in respect of such transactions amounted to £nil (2009: £15,000).

20. Disclosures regarding financial instruments measured at fair value

The disclosures required by the amendment to FRS 29: 'Improving Disclosures about Financial Instruments' are given below. The Company's financial instruments within the scope of FRS 29 that are held at fair value comprise its investment portfolio. The Company currently holds no derivative financial instruments and its liabilities are not held at fair value.

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

Level 1 - valued using quoted prices in active markets for identical assets

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted market prices included within Level 1

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset. Details of the valuation techniques used by the Company are given in note 1(b) on page 31.

The following table sets out the fair value measurements using the FRS 29 hierarchy:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets held at fair value through profit or loss at 30th September 2010				
Equity investments	300,515	–	–	300,515
Total	300,515	–	–	300,515

There have been no transfers between Levels 1, 2 or 3 during the year.

21. Financial instruments' exposure to risk and risk management policies

As an investment trust, the Company invests in equities and other securities 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 risks that could result in a reduction in the Company's net assets or a reduction in the profits available for dividends. These risks include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Directors' policy for managing these risks is set out below. The Company Secretary, in close cooperation with the Board and the Manager, coordinates 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 may comprise the following:

- investments in equity shares of Japanese companies which are held in accordance with the Company's investment objective;
- short term debtors, creditors and cash arising directly from its operations; and
- a floating rate loan facility with Scotiabank.

Notes to the Accounts continued

21. Financial instruments' exposure to risk and risk management policies continued

(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 functional currency and the currency in which it reports, is sterling. However the Company's assets, liabilities and income are almost entirely denominated in Yen. As a result, movements in exchange rates will affect the sterling value of those items.

Management of currency risk

The Manager monitors the Company's exposure to foreign currencies 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 the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the Yen/sterling exchange rate. Yen denominated borrowing may be used to limit the exposure of the Company's portfolio to the Yen/sterling exchange rate. Income is converted to sterling on receipt. The Company may use short term forward currency contracts to manage working capital requirements. It is currently not the Company's policy to hedge against foreign currency risk.

Foreign currency exposure

The fair value of the Company's monetary items that have exposure to the Yen at 30th September are shown below. The Company's investments (which are not monetary items) have been included separately in the analysis so as to show the overall level of exposure.

	2010 Yen £'000	2009 Yen £'000
Current assets	3,335	31,650
Creditors	—	(54,502)
Foreign currency exposure on net monetary items	3,335	(22,852)
Investments held at fair value through profit or loss that are equities	300,515	339,669
Total net foreign currency exposure	303,850	316,817

The above year end amounts are not representative of the exposure to foreign currency risk during the current year due to the amounts drawn down on a Yen loan facility for part of the year.

Foreign currency sensitivity

The following tables illustrate the sensitivity of return after taxation for the year and net assets with regard to the Company's monetary financial assets and financial liabilities and exchange rates. The sensitivity analysis is based on the Company's monetary currency financial instruments held at each balance sheet date and assumes a 10% (2009: 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.

If sterling had weakened by 10% this would have had the following effect:

	2010 £'000	2009 £'000
Income statement return after taxation		
Revenue return	239	226
Capital return	334	(2,285)
Total return after taxation for the year	573	(2,059)
Net assets	573	(2,059)

Conversely if sterling had strengthened by 10% this would have had the following effect:

	2010 £'000	2009 £'000
Income statement return after taxation		
Revenue return	(239)	(226)
Capital return	(334)	2,285
Total return after taxation for the year	(573)	2,059
Net assets	(573)	2,059

In the opinion of the Directors, the above sensitivity analysis is not representative of the whole of the current year due to the amounts drawn down on a Yen loan facility for part of the year.

(ii) Interest rate risk

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

Management of interest rate risk

The Company does not normally hold significant cash balances. Short term borrowings are used when required. The Company may finance part of its activities through borrowings at levels approved and monitored by the Board. The possible effects on cash flows that could arise as a result of changes in interest rates are taken into account when the Company borrows on the loan facility. However, amounts drawn down on this facility are for short term periods and therefore exposure to interest rate risk is not significant.

Notes to the Accounts continued

21. Financial instruments' exposure to risk and risk management policies continued

(a) Market risk continued

(ii) Interest rate risk continued

Interest rate exposure

The exposure of financial assets and liabilities to floating interest rates, giving cash flow interest rate risk when rates are re-set, is shown below.

	2010 £'000	2009 £'000
Exposure to floating interest rates:		
Cash and short term deposits	3,259	23,577
Creditors: amounts falling due within one year		
- borrowings on the loan facility	-	(52,375)
Total exposure	3,259	(28,798)

Interest receivable on cash balances is at a margin below LIBOR.

During the year, the Company arranged a 364 day multicurrency loan facility with Scotiabank which expires in August 2011. Under the terms of this agreement, the Company may draw down up to Yen 10 billion (£76 million) at an interest rate of Yen LIBOR as offered in the market for the loan period plus a margin of 1.4% plus the 'Mandatory Cost Rate', which is the lender's cost of complying with the regulatory requirements of the Bank of England and the FSA. At 30th September 2010, the Company had not drawn on this facility.

At 30th September 2009, the Company had drawn down Yen 7.5 billion (£52.4 million) on a similar facility with Lloyds TSB at an interest a rate of 0.7%. This facility expired in August 2010.

The exposure to floating interest rates has fluctuated during the year between net cash and loan balances as follows:

	2010 £'000	2009 £'000
Maximum debit interest rate exposure to floating rates - net loan balances	(39,112)	(44,623)
Maximum credit interest rate exposure to floating rates - net cash balances	1,466	11,614

Interest rate sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets to a 1% (2009: 1%) 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.

	2010		2009	
	1% increase in rate £'000	1% decrease in rate £'000	1% increase in rate £'000	1% decrease in rate £'000
Income statement - return after taxation				
Revenue return	33	(33)	131	(131)
Capital return	–	–	(419)	419
Total return after taxation for the year	33	(33)	(288)	288
Net assets	33	(33)	(288)	288

In the opinion of the Directors, the above sensitivity analysis may not be representative of the Company's future exposure to interest rate changes due changes in balances drawn down on the loan facility.

(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 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 objective and seeks to ensure that individual stocks meet an acceptable risk-reward profile.

Other price risk exposure

The Company's exposure to changes in market prices at 30th September comprises its holdings in equity investments as follows:

	2010 £'000	2009 £'000
Equity investments held at fair value through profit or loss	300,515	339,669

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

Notes to the Accounts continued

21. Financial instruments' exposure to risk and risk management policies continued

(a) Market risk continued

(iii) Other price risk continued

Concentration of exposure to other price risk

An analysis of the Company's investments is given on pages 12 and 13. This shows that all of the investments' value is in Japan. Accordingly there is a concentration of exposure to that country. However it should be noted that an investment may not necessarily be wholly exposed to the economic conditions in its country of domicile or of listing.

Other price risk sensitivity

The following table illustrates the sensitivity of return after taxation for the year and net assets to an increase or decrease of 10% (2009: 10%) in the fair value of the Company's equities. 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 and adjusting for change in the management fee, but with all other variables held constant.

	2010		2009	
	10% increase in fair value £'000	10% decrease in fair value £'000	10% increase in fair value £'000	10% decrease in fair value £'000
Income statement - return after taxation				
Revenue return	(39)	39	(44)	44
Capital return	29,895	(29,895)	33,790	(33,790)
Total return after taxation for the year and net assets	29,856	(29,856)	33,746	(33,746)

(b) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting 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 44.

Liquidity risk exposure

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

	2010 Three months or less £'000	2009 Three months or less £'000
Creditors: amounts falling due within one year		
Bank loans	—	52,375
Securities purchased awaiting settlement	—	2,127
Other creditors and accruals	107	76
Repurchase of the Company's own shares awaiting settlement	—	1,221
	107	55,799

(c) Credit risk

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

Management of credit risk

Portfolio dealing

The Company invests in markets that operate DVP (Delivery Versus Payment) settlement. The process of DVP mitigates the risk of losing the principle 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

Counterparties are subject to daily credit analysis by the Manager and trades can only be placed with counterparties that have a minimum rating of A1/P1 from Standard & Poor's and Moody's respectively.

Exposure to JPMorgan Chase

The Company's assets are clearly ring-fenced in client designated accounts. Therefore, these assets are designed to be protected from creditors in the event that JPMorgan Chase were to cease trading. However, no absolute guarantee can be given to investors on the protection of all assets of the Company.

Credit risk exposure

The amounts shown in the balance sheet under debtors and cash and short term deposits represent the maximum exposure to credit risk at the current and comparative year end.

Cash and short term deposits comprises balances held at banks that have a minimum rating of A1/P1 (2009: A1/P1) from Standard & Poor's and Moody's respectively.

There were no stocks on loan at 30th September 2010 (2009: nil). There was no stock lending during the current year. The highest value of securities on loan during the comparative year amounted to £37.6 million. Collateral is obtained by JPMorgan Asset Management and is called in on a daily basis to a value of 102% of the value of the securities on loan if that collateral is denominated in the same currency as the securities on loan and 105% if it is in a different currency. Collateral acceptable under the Stock Lending Agreement may comprise: cash in sterling, euros or US dollars, Eurozone government securities, UK government securities. or US government securities.

(d) Fair values of financial assets and financial liabilities

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

Notes to the Accounts continued

22. Capital management policies and procedures

The Company's capital comprises the following:

	2010 £'000	2009 £'000
Debt		
Short term loan	–	52,375
Equity		
Share capital	40,365	42,463
Reserves	265,741	273,214
	306,106	315,677
Total debt and equity	306,106	368,052

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

The Board's policy is to limit gearing within the range 95% to 115% invested. Gearing for this purpose is defined as investments expressed as a percentage of total net assets.

	2010 £'000	2009 £'000
Investments	300,515	339,669
Total net assets	306,106	315,677
Gearing	98.2%	107.6%

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 need for issues of new shares, including issues from Treasury.

Shareholder Analysis

at 30th September 2010

	Number of shares	% Holding
Unit Trusts	31,647,360	19.6
Pension Funds	30,416,448	18.8
Other Institutions	20,853,057	12.9
Investment Trusts ¹	18,251,754	11.3
Charities	8,600,044	5.3
Insurance	7,556,784	4.7
Marketmakers	1,965,278	1.2
Total Institutions	119,290,725	73.8
Private Client Brokers	23,834,462	14.8
Retail Investors holding shares directly or through nominee accounts ²	11,299,334	7.0
Individuals in the Investment Trust Investment Account ³	5,835,868	3.6
Individuals in the Investment Trust ISA ³	938,356	0.6
Individuals in the Investment Trust SIPP ³	259,333	0.2
Total Retail Holdings	42,167,353	26.2
Total Shares in issue	161,458,078	100.0

¹Includes 3,521,367 shares held by JPMorgan Elect plc.

²Includes holdings of below 10,000 shares.

³Savings product managed by JPMorgan.

Nominee accounts have been allocated to their appropriate category.

Notice of Meeting

Notice is hereby given that the eighty second Annual General Meeting of JPMorgan Japanese Investment Trust plc will be held at Trinity House, Tower Hill, London EC3N 4DH on Tuesday, 21st December 2010 at 2.00 p.m. for the following purposes:

1. To receive the Directors' Report & Accounts and the Auditors' Report for the year ended 30th September 2010.
2. To approve the Directors' Remuneration Report for the year ended 30th September 2010.
3. To approve a final dividend of 2.8p per share.
4. To re-elect Alan Barber as a Director of the Company.
5. To re-elect Jeremy Paulson-Ellis as a Director of the Company.
6. To re-appoint Begbies Chettle Agar as auditors to the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following resolutions:

Authority to allot new shares – Ordinary Resolution

7. 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 Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers for the Company to allot relevant securities (within the meaning of Section 551 of the Act) up to an aggregate nominal amount of £2,016,475, representing approximately 5% of the Company's issued ordinary share capital as at the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2011 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 relevant securities to be allotted after such expiry and so that the Directors of the Company may allot relevant securities 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

8. THAT subject to the passing of Resolution 8 set out above, the Directors of the Company be and they are hereby empowered pursuant to Section 570 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of Section 560(1) of the Act) pursuant to the authority conferred by Resolution 8 or by way of a sale of Treasury shares as if Section 560(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 £2,016,475, representing approximately 5% of the issued ordinary share capital 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 at the conclusion of the Annual General Meeting of the Company to be held in 2011 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 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

9. THAT the Company be generally and, subject as hereinafter appears, unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 of the Act) of its issued ordinary shares of 25 pence each in the capital of the Company

PROVIDED ALWAYS THAT

- (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 24,202,565 or, if less, that number of shares which is equal to 14.99% of the Company's issued share capital as at the date of the passing of this resolution;
- (ii) the minimum price which may be paid for an ordinary share shall be 25p;

- (iii) the maximum price which may be paid for an ordinary share shall be an amount equal to the highest of:
 - (a) 105% of the average of the middle market quotations for an ordinary 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 ordinary share is purchased; (b) the price of the last independent trade; or (c) the highest current independent bid;
- (iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors) at the date following not more than seven days before the date of purchase;
- (v) the authority hereby conferred shall expire on 20th June 2012 unless the authority is renewed at the Company's Annual General Meeting in 2011 or at any other general meeting prior to such time; and
- (vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract notwithstanding such expiry.

By order of the Board
 AK Norman, for and on behalf of
 JPMorgan Asset Management (UK) Limited,
 Secretary
 19th November 2010

Notes

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

1. 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.
2. 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. If you attend the Meeting in person, your proxy appointment will automatically be terminated.
3. Any instrument appointing a proxy, to be valid, must be lodged in accordance with the instructions given on the proxy form.
4. You may change your proxy instructions by returning a new proxy appointment. The deadline for receipt of proxy appointments 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.
5. 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 6.00 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 6.00 p.m. two business days prior to the

Notice of Meeting continued

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.

6. Entry to the Meeting will be restricted to shareholders and their proxy or proxies, with guests admitted only by prior arrangement.
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 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 accounts (including the Auditors' report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with Auditors of the Company ceasing to hold office since the previous AGM, 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 Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM 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 AGM any question relating to the business being dealt with at the AGM 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 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 can not 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 AGM, the total voting rights members are entitled to exercise at the AGM 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.jpmmjapanese.co.uk.
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). It will also be available for inspection at the Annual General 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 at 18th November 2010 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 161,318,078 Ordinary shares carrying one vote each. Therefore the total voting rights in the Company are 161,318,078.

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 Definitions

Return to Shareholders

Total return to the investor, on a mid-market price to mid-market 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.

Return on Net Assets

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 into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

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

Benchmark Return

Total return on the benchmark, on a mid-market value to mid-market value basis, assuming that all dividends received were reinvested into 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 track this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Actual Gearing Factor

Investments expressed as a percentage of shareholders' funds. This shows the effect of gearing on the net asset value if the market value of the portfolio were to increase by 100%. A gearing factor of less than 100% arises when the Company is in a 'net cash' position.

Total Expense Ratio

Management fees and all other operating expenses, excluding interest and VAT recoverable, expressed as a percentage of the

average of the month end net assets during the year (2008 and prior years: the average of the opening and closing net assets).

Share Price Discount/Premium to Net Asset Value

If the share price of an investment company 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. The opposite of a discount is a premium. It is more common for an investment company's shares to trade at a discount than at a premium.

Performance Attribution

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

Performance Attribution Definitions:

Allocation Effect

Measures the impact of allocating assets differently from those in the benchmark, via the portfolio's weighting in different countries, sectors or asset types.

Stock Selection

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/Cash

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

Management Fees/Other Expenses

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

Share Repurchases

Measures the effect on relative performance of decreasing the number of shares in issue.

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Information about the Company

Financial Calendar

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

History

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

Company Numbers

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

Market Information

The Company's net asset value ('NAV') is published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times, The Times, The Daily Telegraph, The Scotsman, The Independent and on the JPMorgan internet site at www.jpmmorgan.co.uk, where the share price is updated every fifteen minutes during trading hours.

Website

www.jpmmorgan.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. They may also be purchased and held through the J.P. Morgan Investment Account, J.P. Morgan ISA and J.P. Morgan SIPP. These products are all available on the online wealth manager service, J.P. Morgan WealthManager+ available at www.jpmmorganwealthmanagerplus.co.uk

Manager and Company Secretary

JPMorgan Asset Management (UK) Limited

Company's Registered Office

Finsbury Dials
20 Finsbury Street
London EC2Y 9AQ
Telephone: 020 7742 6000

For company secretarial and administrative matters, please contact Andrew Norman.

Registrars

Equiniti
Reference 1090
Aspect House
Spencer Road
West Sussex BN99 6DA
Telephone number: 0871 384 2317

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1090.

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

Independent Auditors

Begbies Chettle Agar
Chartered Accountants and Statutory Auditors
Epworth House
25 City Road
London EC1Y 1AR

Brokers

Collins Stewart Europe Limited
88 Wood Street
London EC2V 7QR

Savings Product Administrators

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

aic

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Investment Companies

A member of the AIC

J.P. Morgan Helpline
Freephone 0800 20 40 20 or +44 (0)20 7742 9995

Your telephone call may be recorded for your security

www.jpmpjapanese.co.uk